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CLARENCE B. CARSON

Throttling the Railroads

I The Railroad Problem

AYN RAND put her finger adeptly on the jugular vein when she focused attention on the railroads in her novel about the economic breakdown in the United States, *Atlas Shrugged*. Surely, the colossus of the Western Hemisphere, the United States, rose to eminence in the world on the gridwork of steel rails that spanned its length and breadth and reached out like fingers to touch the farthest corners of a vast half-continent. Before the coming of the railroads, to speak of a *United* States was to speak in the hyperbole of politicians and dreamers. These United States were separated by great chains of mountains, by formidable bodies of waters, by natural obstacles which carved the country into regions, sections, isolated valleys, and vast well-nigh untappable hinterlands. Railroad builders sought out the mountain passes, followed the cuts made by streams through the ages, bridged the rivers, and laid the rails across the stretches of flatland. They united the states commercially, politically, and, mayhap, fraternally.

Indeed, the American railroad system is one of the marvels of the modern era. There were 23 miles of track within the United States in 1830; by 1920 there were 252,845 miles. Most of the trackage was laid between 1870 and 1910, in one of the most propulsive construction programs ever

Dr. Carson is a frequent contributor to THE FREEMAN and other journals and the author of several books, his latest being *The War on the Poor* (Arlington House, 1969).

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undertaken in history. By the early twentieth century, virtually every town and hamlet in the country was either on or within a few miles of a railroad, and most towns of any size had service by two or more railroads. Cities were frequently served by a half-dozen or more companies, two or more of these frequently connecting with the same distant points. Peoples and goods moved over these lines with speed and safety which a few generations before could hardly have been conceived.

In a recent advertisement, the Association of American Railroads attempted to evoke a sense of the marvelous character of this means of transportation. It read, in part:

> Suppose that everybody in the United States were to learn for the first time about a marvelous method of transportation called a railroad.
>
> The idea would be sensational.
>
> High-speed tractors running on steel rails laid on privately-owned rights-of-way, with minimum curves and grades, would be capable of pulling long processions of trailers full of merchandise. Imagine!
>
> Trains of trailers would be kept rolling day in and day out until they reached their destinations. They would be shuttled into and out of marshalling yards, where the trailers would be grouped in the right combinations. Of all things! . . .
>
> The high-speed tractors on their twin ribbons of steel could even haul human beings, in addition to freight. If necessary, the human being could be bedded down and hauled from one place to another in special cars with comfortable seats and all the comforts of home.[1]

A Waning Romance

Americans have not always been oblivious to the marvels of the railroads, of course. On the contrary, many have long been fascinated with this way of transporting people and goods. A good case could be made that many Americans have had a long romance with the rails. The story of the railroads is deeply entangled in American lore, legend, and history: the buffalo hunters, the clashes with the Indians, the rush of the railroad crews to lay rails into the West, the driving of the golden spike at Promontory Point to celebrate the linking of the Union Pacific and Central Pacific, the bigger-than-life gangs of train robbers – epitomized by the James boys –, the ballads such as "Casey Jones" and "Wabash Cannon Ball." The steam engine was itself a thing for wonder and awe: steam spouting from its sides as it stood in the station, its lonely whistle in the night, the huffing and puffing as it made a long grade, its

[1] Quoted in John F. Stover, *American Railroads* (Chicago: University of Chicago Press, 1961), p. 248.

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long sigh to let off steam as it came to a halt. Even the mighty diesels, while not so romantic as the steam engines (probably because they are still with us), could cause heads to turn and voices perforce to cease or be unnaturally raised as they roared by.

The railroads capitalized on this interest and tried to build excitement by the names they gave to their crack passenger trains in the twentieth century, names which suggest that the trains soar, ramble, move swiftly, and fly as they rush to make their destination against the clock, names such as Twentieth Century Limited, Silver Star, California Zephyr, Spirit of St. Louis, City of Los Angeles, South Wind, Sunset Limited, Empire Builder, Super Chief, and Rocky Mountain Rocket. Even some freight trains have been given special names; the Milwaukee Road calls a westbound fast freight the XL Special and its eastbound counterpart the Thunderhawk.

Even so, the railroad advertisement is probably right in what it implies: the American people are no longer generally enamored of the railroads. They have spurned many of the rail services with alacrity and taken much of their custom elsewhere. Even the mention of railroads evokes a faint nostalgia in response. The impression grows that they are obsolete, that their ribbons of steel stretching off into the distance are becoming mute monuments to days gone by, their passenger stations relics of other times, their forms about to be reduced finally to toys in the basement and Sunday rides on narrow gauge lines to old abandoned mines. At any rate, the railroads are in trouble. As one writer puts it: "There can be no doubt about the severity of the railroad problem facing the nation in the sixties."[2] The railroads have had a long-term trend of declining traffic, both passenger and freight, though the decline in freight has sometimes been only in the proportion of total freight hauled. Service has been increasingly curtailed. Railroad stocks have long failed to respond even to proportionally higher dividend-to-cost ratio than most other stocks. These are the almost invariable signs of a dying industry.

Still Essential for Transport

Yet, the railroads remain an essential method of transport in America. Not only were they once crucial to the commercial unity of America; they still are. It is true these United States are now linked together by highways over which gasoline engines pull trucks and

[2] *Ibid.*, p. 47.

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automobiles, that these highways, presently being supplemented by an interstate system, reach more places than the railroads, and that any city of any size has many which form junctions within its borders. But these vehicles which travel on the highways are an increasing source of trouble themselves. They pollute the air; they converge on the cities at certain hours of the day constricting movement and raising tempers; parking places for them become ever more costly and difficult to find. Trucks increase in number and size on the highways, vying with automobiles for travel space and increasing the peril of travel. The carnage on the highways is so great that anyone sensitive to the propaganda about it must set out even on a vacation trip in an automobile with considerable apprehension.

If that portion of the freight now carried on trains should suddenly be shifted to the highways, the pace of traffic would be drastically slowed and much that now moves that way could hardly find a place. We are already experiencing the impact on highways of the shift of passenger traffic from trains to private cars, for the most part; what it would be like when freight should be as preponderantly shifted to the highways as are the passengers can only be left to the imagination. As things stand, many cities probably could not survive such a shift; many of them are already marginal as places to live, and transport is one of the major reasons. This is why the railroads remain an essential method of transport for America. Yet, the long-term trend in a shift away from them is now well established.

Deterioration in Quantity and Quality of Service

Why should this be? To the casual observer or unwitting customer it often appears that the railroads are their own worst enemies, that the management and personnel are directly to blame. Those who use the railroads frequently get the impression that the roads are determined to be rid of them. This is most noticeably the case with passengers, but users of freight service of certain kinds may get a similar impression. Anyone who has ridden the trains often in the last decade or so probably has his own list of complaints. The list will most likely include such items as reluctant ticket sellers, difficulties in acquiring information, late departures of trains, late arrivals, surly employees, inconvenient schedules, dilapidated equipment, long walks to cars past a long line of cars for mail and parcels, lackluster sur-

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roundings from beginning to end of journey, and so on.

Stories abound of horrendous treatment of passengers by the railroads. The present writer has seen a restroom in a passenger station to which entry could be gained only by dropping a coin in a slot, has heard a porter utter such streams of profanity about the difficulty of getting a woman's luggage from one train to another that she offered to carry it herself to shut him up, has had his rest disturbed by noisy "deadhead" railroad employees on several occasions, and has seen any number of waiting rooms sufficiently gloomy to discourage all but the most intrepid traveler by rail.

Some of these might be only individual instances of poor service which can happen in any undertaking. But there is much testimony that they are of a kind that occurs all too frequently on the railroads. One writer notes that "except for a few crack transcontinental and other trains, the quality of service rendered has deteriorated compared with prewar [World War II] years. . . . Trains are frequently late; coach equipment is often old and sometimes dirty and poorly ventilated and heated. Many prewar standards of courtesy have gone, even in parlor and sleeping cars. . . . On some of the best coach routes, the railroads use obsolete passenger train cars and treat customers as though the carriers were doing travelers a favor to transport them."[3] Another says, "The public sees the railroads as old fashioned . . . , and as common carriers who hate passengers."[4]

Suicidal Practices

It certainly looks as if the railroads were trying to commit suicide. They have low advertising budgets compared with other businesses; the uniforms of their personnel appear to date back to the beginnings; their passenger stations frequently appear to be a combination of late Victorian grandeur gone squalid and early government housing projects; their freight stations are often a poor imitation of a down-at-the-heels hardware store. The following are instances of how railroads have alienated passengers:

> Take, for example, the process of calling on the telephone for some scrap of information about a passenger train. . . . Some railroad clerks are evidently instructed to take their phone from its cradle, or hook, and then to forget it. . . . Other railroad clerks, themselves impervious to

[3] James C. Nelson, *Railroad Transportation and Public Policy* (Washington: The Brookings Institution, 1959), p. 321.

[4] Stover, *op. cit.*, p. 251.

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minor irritations, simply ignore a ringing phone, hour after hour. . . .

Another stratagem is the disruption of train schedules. . . . Suppose you wish to travel overnight by train from Washington to Memphis. There is no through service, but the Southern Railway has a Birmingham Special that arrives in Chattanooga at 8:10 A.M. or ten minutes *after* the train to Memphis has left. The Southern Pacific's Sunset Limited has been so rescheduled that, eastbound, it no longer connects at New Orleans with the Gulf Wind . . . , westbound, the Sunset leaves stranded in New Orleans for about fifteen hours those passengers coming from the east on the L and N's Crescent or the Southern Railway's Southerner.[5]

While freight traffic is not so cavalierly treated, many small communities have lost their agents, and many kinds of package freight do not appear to be much wanted.

Not all railroads have been so disdainful even to their passenger customers. But even those who have continued to serve long distance and commuter passengers well often say that they are losing money. Lately, a considerable movement has been mounted for governments to subsidize passenger trains, and some of this is already being done.

[5] Peter Lyon, *To Hell in a Day Coach* (Philadelphia: Lippincott, 1968), pp. 267-68.

A Puzzling Performance

There are two enigmas here. In the first place, it is not usual for businesses to discourage customers and treat them as if they were not wanted. Private enterprise succeeds by serving customers and by gaining and keeping their good will. Even losses may be sustained to provide certain kinds of service in order to gain profitable custom. When businesses behave otherwise, this behavior requires explanation. The second enigma is why any good or service that is widely needed and wanted cannot be profitably provided. Commuter trains, for example, may be filled to overflowing during rush hours, but many railroads no longer wish to operate them. Transportation is not the only area where the provision of vital goods and services has sometimes become unprofitable (others would include food provided by farmers and rental housing), but it is certainly a crucial one today. This is, to say the least, enigmatic.

There is, of course, an explanation. To get at it, it is necessary to look into the history of the railroads. Even the most casual student of American history will recall certain facts related to railroad history. Even the most general history of the United States will probably mention land grants to railroads, the Railway Strike of

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1877, the Interstate Commerce Act, the Pullman Strike, the Northern Securities Case, the government take-over of the railroads in World War I, and the Transportation Act of 1920. In short, what the casual student may discern with a little reflection is that there is a long history of government involvement with and intervention in the affairs of the railroads. Deeper examination will show the impact of this on the railroads and provide explanations for the strange situations that have developed.

A Vital Service in Decline Plagued by Intervention

There are three fundamental reasons, then, why anyone undertaking to write an anti-utopian novel about the United States, as Ayn Rand did, might well focus on the railroads; and they are reasons why a historical study of the railroads is warranted. First, the railroads were crucial in providing a means for commercially uniting the states, and are a still vital part of the transportation network of this country. Second, they have been in trouble for a considerable while and have suffered a long-term decline. This has brought in its wake a host of other problems already alluded to. And third, there is a long history of government intervention in rail transport with all its ramifying effects.

Indeed, the railroads are the classic example in American history of the impact of government intervention on a business. They have had the longest history of intervention by the Federal government of any modern business. Theirs was one of the earliest instances of extensive subsidies to more or less private undertakings. The first strike to have an impact on a goodly portion of the country was against the railroads – the Railway Strike of 1877. The first general act to regulate interstate commerce and the first national regulatory commission was aimed at the railroads – the Interstate Commerce Act and the Interstate Commerce Commission. One of the earliest applications of the Sherman Antitrust Act by the Supreme Court against a portion of an industry was made against the railroads in the Northern Securities Case. The railroads were the first private industry to be taken over and run by the Federal government for a time – during and after World War I. In short, except for banking and the delivery of the mails, the railroads have probably the longest history of intervention of any major business in the United States. Nor is there any better place to study the debilitating effects of this.

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Since some may suppose that government subsidies and aids were helpful in getting the railroads underway, and since a new era of subsidies portends, it will be well to begin the account with the building of the railroads and explore some of the varied effects of this before taking up regulation and control.

Next: Aiding the Railroads—1830-1871.

IDEAS ON LIBERTY

Learning by Doing

IDEAS made possible our nation's growth. We are a venturesome, valorous, risk-taking people who backed ideas with savings.

If the labor unions would back their ideas with the money collected from their dues-paying members and, instead of striking against business, go into a business for themselves and prove that they can operate it – can run full time at all times, pay higher wages than present management, have shorter hours, better working conditions, and make enough money to keep operating and pay their shareowners (dues payers) a fair return on their investment – they would get a better education in the relationship of profits to jobs and job security, to the standard of living, and of productivity to wage increases.

Steel men, automobile men, coal-mining men, mill owners, and hundreds of others have twitted unions to make good their claims to buy a company, run it, and prove they can do so better than those they now criticize and strike against. It's wide open, and all can step in and try it. But, Mr. Unionman, don't overlook the 52 per cent Federal tax on profits.

The big unions are reported to have millions of dollars on hand. Why not buy a company, and run it, and prove that wages can be increased without setting the stage for higher inflation?

E. F. HUTTON

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THE PROBLEM

DEAN RUSSELL

THE MOST difficult part of solving a problem is usually the identifying of the problem itself.

I observed this difficulty in an extreme form as a recent "witness" on the TV program, "The Advocates." The issue was nonmilitary foreign aid, and I was testifying *against* these government-to-government grants by our State Department.

The witnesses in favor of continuing and increasing our government's grants and gifts to other governments were three employees of the State Department, a famous foreign sociologist who is currently Visiting Professor at Columbia, and their lawyer. All five of them identify the problem behind our foreign aid programs as "hungry people in underdeveloped nations all around the world." Since they believe that's the problem, it follows automatically that their solution is to feed the hungry people. And that's about as far as they go.

I am convinced, however, that the fundamental problem is more political and economic than it is biological. And in my attempt to identify the problem, I ask myself why these people are hungry. Is their inability to produce enough food (or to produce goods and services to exchange for food) due to stupidity or laziness? I think not. Then just what causes their continuing hunger, generation after generation?

I try to identify the probable cause in this fashion: I have a small amount of liquid capital, that is, dollars which can be converted by labor into the real capi-

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tal of machines, raw materials, and finished products. For various reasons, I would like to use this modest supply of capital in India, to improve my own material well-being and the material well-being of several Indian families who are now hungry.

An Offer to Help and Why It Won't Be Done

Over the years, I have made the following proposal to several acquaintances in India, including a government official: If you will permit me to come in, I will immediately hire at least four people at better wages than they are now earning. Their working conditions will be more pleasant – and their employment will be steadier – than is now the case for any of them. It is self-evident that I would have to fulfill these promises before I could possibly persuade anyone to use my machines; obviously, no one would work for lower wages than he is already earning. Even so, I always include in my offer the posting of a performance bond. What I propose to do is to try to solve the *cause* of the hunger – the *real* problem – by showing a few hungry people how to produce enough goods and services to feed themselves and their families on a continuing basis. And please note that I propose to back my judgment with my own capital, not the taxpayers' money.

So why don't I do it? The answer is shocking. The Indian government refuses to let me in. "No foreign imperialist is ever going to exploit us again," they proclaim in various words and tones. Then they immediately apply to the United States Department of State for more government-to-government grants-in-aid. And they almost always get them, thus continuing to treat the consequences of the problem instead of the problem itself.

True enough, two of those Indian acquaintances informed me that I *can* enter India with my machines, under certain conditions. First, I must produce what the government wants produced; I am not permitted to make the decision alone. And I must locate where the government specifies; I cannot make that decision for myself. While I will be permitted to try to earn a profit, it must be "reasonable"; the figure of 4 to 8 per cent was mentioned. And finally, the Indian government guarantees that it will not nationalize my company for at least ten years.

And then the leaders of the Indian government wonder why foreign capital doesn't come in! They seem honestly distressed and puzzled as they pass increasingly stringent laws forbidding their

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own citizens to send their capital abroad. This "frightened domestic capital" goes to various places, including Switzerland. That small nation, with almost no natural resources, enjoys a high level of living because its leaders decided long ago that individual capitalists with machines should be welcomed as benefactors instead of repudiated as exploiters.

Thus, the empty bellies continue to multiply in India and elsewhere, far faster than the "green revolution" can increase the rice and wheat yields. And our State Department officials continue to treat the *symptoms* rather than the disease itself. Instead of trying to discourage this process of destructive prohibitions and interferences by the various foreign governments in their own economies, our State Department seems determined to worsen the situation by imposing their own group of government officials on top of the existing group. And worse still, American political leaders largely direct the clamor to install a third group of officials (the United Nations) on top of the other two. This failure to identify the problem – this inability to understand what is preventing hungry people from productive efforts to help themselves – can result only in more hunger, despair, and violence.

Confusing Money with Raw Materials and Labor

A charitable explanation of this blindness of the supporters of government-to-government aid is perhaps to be found in their failure to understand the difference between the measuring device (money) and the thing being measured (raw materials and labor).

In truth, of course, no one wants mere pieces of green paper with numbers printed on them. Those hungry people abroad and their officials want American raw materials, food, labor, and various final products and services. The dollar figures – the "credits" recorded in various ledgers under various headings – are merely for counting purposes. Were this not so, we could quickly print up several trillion dollars marked, "Not to be used to purchase goods and services in the United States," and give them to hungry people. Of course, no one abroad, or at home, would even bother to pick up such worthless paper. Foreigners don't eat dollars; they eat food, including all the labor and scarce raw materials involved in producing the fertilizers and machinery used to grow, harvest, and transport the food.

A favorite argument of those who advocate foreign aid is that many of these grants are now made in the form of interest-bearing loans.

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"Why, we will even get back more than we send out," they suggest.

In turn, I suggest that, for the moment, they forget the political rhetoric and examine with me the reality of these transactions. America's scarce resources – fabricated into various shapes and forms by American labor – are collected by our government from us in the form of taxes. These resources are then sent abroad. Not one bit of these resources will ever be returned to our shores in any form. That is the reality of government-to-government loans, as contrasted with person-to-person loans which are indeed eventually repaid in kind.

No Way to Repay

Just how would a foreign government repay to our government the grants of raw materials and labor? Even if they wished to do so, there is simply no mechanism to handle it. We can't eat rupees, any more than Indians can eat dollars. Thus, if we are to get anything back, it must obviously be Indian raw materials and finished products. Just where would our State Department store them – in the basement? Of course, our officials might demand repayment in textiles, bring the cloth here to the United States, and dump it on our domestic market at low prices. But the State Department officials know, as does everyone else, that this is politically impossible, regardless of the economics of it.

There is no possible way that foreign governments can ever repay to this nation the raw materials and finished products which were granted to them in various forms by our government. That's why government-to-government loans are always ultimately canceled, usually after being renegotiated a couple of times in various ways. Generally, they are canceled by the foreign nations which owe the debts – for example, France's repudiation of its debts to the United States. Sometimes the debts are canceled by the nation that made the loans, as when the United States wrote off the debts owed to it by Finland and Great Britain. In any case, they are ultimately canceled.

This lack of understanding of the economic and political reality of government-to-government transactions explains the failure of the attempt to collect "reparations" from Germany after World War I. That ill-advised scheme was certainly a chief cause of the collapse of the Weimar Republic and the emergence of Hitler and World War II. It is comparatively simple for our government to collect raw materials and labor from the American people and to send

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them abroad; it is politically and economically impossible for the American government to receive back a like amount of resources from abroad to be used within our own borders.

What Is Not Seen

The advocates of foreign aid often have no comprehension of the first principle of economics, namely, that resources are scarce and have alternate uses. They do not seem to understand that the cement, pipes, pumps, machines, and engineering skills given away abroad by our government could just as easily have been used here at home, perhaps to clean up our polluted water and air, or used in other ways that producers and consumers might deem more important.

I become a bit unhappy when seemingly intelligent people deny that these governmental foreign aid programs cost you and me anything. I try to explain to them in personal terms of a canceled educational trip to Europe because I had to pay my taxes, steaks not eaten because my government put a 10 per cent surcharge on top of my regular tax, and so on. I am quite willing to pay to preserve our nation at home and to protect our legitimate interests abroad, but I do not gladly tolerate unthinking people who demand that my resources be devoted only to their purpose and who claim that the only cost of governmental give-away programs is the modest price of printing more money.

It's quite true, as has been said, that the rich United States has enough money to do *all* these things that need doing. Actually, we have more than enough *money*, and our government apparently can print more whenever it desires to do so. The difficulty is that we don't have enough raw materials, engineers, doctors, teachers, and the other factors required to do all of these things in reality.

This "confusing of the measuring device with the thing being measured" is all summed up in the argument that almost all of these foreign aid dollars – 98 per cent of them – are actually spent here in the United States, thus creating prosperity at home.

What possibly could have happened to that other 2 per cent? Perhaps India traded a portion of its "dollar credits" to Brazil for coffee. If so, our State Department should have noted the fact that Brazil, in turn, used its "dollar credits from India" to buy American machines and ship them to Brazil.

Of course, the entire grant was spent here, in one way or another; the only reason why foreign nations want dollars is to purchase

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American materials and labor in various forms. It's easy enough to explain that rather obvious fact. But how can anyone believe that we can become rich and prosperous by working and producing goods and services to be given away without any return of other goods and services in trade?

Why Not Export Everything?

If prosperity could really be advanced in that fashion, we could easily treble our material well-being in the United States within one year. Our government could just put everyone to work digging up scarce raw materials, turning them into finished products, and shipping them abroad. If we would do this on an emergency double-shift basis, our annual Gross National Product would surely soar above the three-trillion-dollar mark. On the records used to record our GNP, we would appear prosperous indeed. But only on those measuring devices; for the things being measured – goods and services – would all have been shipped out of the country, never to return. Our real level of living would plummet to zero. We would still have the paper dollars, though there would be nothing left to buy with them. Could that possibly explain why prices have skyrocketed in the United States over the past several years?

Well, there is nothing I can do for persons who are unable to distinguish between measuring devices and the things being measured. Nor can I influence persons who are unwilling to separate effect from cause, or communicate with those who will not understand that scarce resources sent permanently abroad are thus rendered unavailable for use at home.

There is one thing I can do, however. There are about 150 freshmen every year in my classes in Introductory Economics. I can at least continue to insist that they identify a problem before they offer a solution, and that the solution must be designed to make the problem go away instead of to make it worse.

Let Us Now Try Liberty

IDEAS ON LIBERTY

AND NOW that the legislators and do-gooders have so futilely inflicted so many systems upon society, may they finally end where they should have begun: May they reject all systems, and try liberty; for liberty is an acknowledgment of faith in God and His works.

FREDERIC BASTIAT, *The Law*

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fly the frenzied skies

ROBERT POOLE, JR.

A PRIVATE business whose sales volume had increased 15-20 per cent annually for seven years (and showed many signs of continuing to do so) would probably view its future with eager anticipation. In the government-controlled, privately "owned" cartel known as commercial aviation, however, the expected growth in air travel is viewed, in part, in horror. For as the volume of air traffic rises, a monumental crisis appears imminent, a crisis that threatens the complete paralysis of air transportation. What is the source of this seeming paradox? How can it be that the same industry that will be flying, fueling, and servicing the huge 747, is unable to solve seemingly simple problems of supply and demand? The answer is not at all a difficult one to arrive at, provided one views the problem in its full scope.

"Commercial aviation" consists of three distinct parts: the airports, the airways linking airports, and the airlines. Although there are 10,000 airports in the U. S., many of them privately owned, all 525 of those large enough to handle scheduled airline service are owned by city governments (except Dulles and Washington National which belong to the Federal government). Municipal airport financing comes primarily from three sources: municipal bonds (for basic equipment and taxiways), airline in-

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vestment (for terminal buildings), and Federal tax money (for control towers, landing aids, and runways).

During the last ten years the pace of airport expansion has lagged far behind the growth in air traffic, because (1) local governments have little political incentive (or expertise) to accurately forecast passenger demand, (2) Congress has let the annual appropriation for airport aid gradually decrease, despite constantly increasing requests for such aid, and (3) local taxpayers are becoming increasingly hostile to large-scale bond issues, especially for things which do not directly benefit them. Hourly capacity restrictions have already been imposed by the Federal government at major East Coast airports, because of the increasing congestion at terminals and on runways. When the 365-passenger 747 and the 300-passenger airbuses go into service in the next few years, only a handful of airports will have terminal facilities or access roads adequate for such large concentrations of people.

Radio Navigation Stations

The airways consist of a number of paths in the sky, defined by ground-based radio navigation stations (navaids). The Federal Aviation Administration (FAA) owns and operates the navaids and polices the airways. Anywhere above 3,500 feet and in the vicinity of airports, all aircraft must fly under FAA control. Although modern electronics and computer technology make nearly-automatic air traffic control technologically feasible, the FAA still relies on the early 1950's method of using navaids only as references, with all control and decision-making in the hands of a (human) FAA air traffic controller. Because of limited funding by Congress, there aren't enough controllers, their salaries are low, and their training is poor. Combined with the high volume of air traffic, these conditions make today's controller extremely overworked, in many cases literally a nervous wreck. Another consequence and cause, perhaps, of the controller shortage is the fact that these men are "daily forced to compromise with safety procedures"[1] in order to handle their workload.

The FAA's operations are financed out of general Federal tax receipts (the tax on airline tickets goes into general revenue, while the tax on aviation gasoline goes into the highway trust fund!) Thus, as long as there aren't many

[1] F. Lee Bailey, attorney for the Professional Air Traffic Controllers Organization, in *Aviation Week*, June 30, 1969, p. 28.

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crashes, Congress is content to appropriate meager sums for the FAA.[2] The taxpayers, 60 per cent of whom have never flown at all, justifiably feel little desire to be taxed even further to provide airways for the mere 15 per cent who fly commercial airlines.

Finally, the airlines themselves present an interesting picture. Though nominally private companies, the airlines in fact are controlled by the Civil Aeronautics Board (CAB) in every essential aspect of their business. The routes between cities are divided up among the airlines as a huge cartel, originated and enforced by the CAB, thus making free entry into the market illegal. Likewise, it is nearly impossible for an airline to leave a particular market (by dropping a city from its schedule) – the "public necessity and convenience" must be served, apparently regardless of losses. The prices charged customers for a particular route are fixed by CAB in order to prevent "destructive" price competition. Price increases are permitted to the airlines only as a group, and price decreases, while allowed on an individual basis, must still be run through the mill of CAB.

If companies in the steel industry tried to set up such an arrangement, they would be prosecuted by the Antitrust Division of the Justice Department. Indeed, the contradiction between the CAB's philosophy and the antitrust laws was illustrated last summer, when the CAB had to grant the airlines temporary immunity from antitrust action so that they could meet together to discuss coordinating their schedules, so as to relieve rush-hour airport congestion.

As if this were not enough, 13 local service airlines, which were formed after World War II with surplus aircraft and "temporary" subsidies, continue to receive on the order of $50 million per year in subsidy payments out of general tax revenues. Thus, taxpayers are forced to pay huge direct subsidies, in addition to the countless indirect subsidies they provide in the form of "free" airways, weather reports, landing aids, and mail contracts.

Victims of Intervention

The net result of these government activities is that at least three distinct groups of people are being victimized. First, the vast majority of taxpayers who do not use the airlines are being unjustly taxed so that those who do fly can have air travel at less than its true

[2] A graph on p. 53 of the May, 1969, issue of *Space/Aeronautics* illustrates the direct relationship between air crashes and Congressional appropriations for FAA facilities and equipment.

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cost. Second, the most competent, aggressive airline owners (and potential airline owners) are being prevented from engaging in competition with the less competent companies, with the result that neither the more competent companies nor their stockholders can benefit as fully as they could and should. Third, the people who do fly are getting less efficient and less safe air service than, in the absence of government interference, they might; less efficient because of the lack of competition, and less safe because of the antiquated, under-funded, congested airport and airways system.

The question which should be obvious by now is: How, in "capitalist" America, did such a horrendous tangle of vested interests and government control ever come to pass? The standard "conservative" mythology holds that all of America's economic troubles began with FDR's New Deal. The sad fact of the matter is that government interference with and subsidy to American aviation have a long "nonpartisan" history.

History of a Crisis

Throughout the history of American aviation the general rule has been that each expansion of government control was preceded by requests for such regulation from one or another group of people involved in aviation. At each step of the way, of course, the proponents did not foresee or advocate any further government involvement – they merely wished to blindly promote their own short-range special interest.

Federal involvement began in 1915 when President Wilson selected a number of aviation enthusiasts to form the National Advisory Committee on Aeronautics (NACA) to "study . . . the problems of flight, with a view of their practical solution." The impetus for setting up NACA was World War I, but as with many government agencies, NACA emerged in 1919 as a permanent entity, and became a vigorous advocate of government control of aviation.

Former wartime aircraft producer, Howard Coffin, strongly supported NACA's position. During the war Coffin had been picked to head the government's Aircraft Production Board, which passed out over $1 billion in aircraft contracts to his own company and those of his fellow auto producers.[3] Coffin and his friends ignored the advice of many aircraft designers and mass-produced the Liberty aircraft engine along automotive lines, which made it a poor aircraft power plant. They also pro-

[3] Kelly, Charles J., Jr. *The Sky's the Limit—The History of the Airlines* (New York: Coward-McCann, 1963), pp. 25-29.

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duced 10,500 DH-4 aircraft, only a few of which ever reached Europe. The remaining planes were subsequently sold as war surplus for 2 per cent of their cost and the resulting postwar glut of cheap aircraft greatly depressed the market for new designs. The DH-4 with Liberty engines won the nickname of "flaming coffin" in the postwar years.

In 1918, at the urging of NACA, the Post Office inaugurated airmail service. Using the "coffins," post office service was risky at best. By 1925, 31 of the first 40 airmail pilots had been killed in crashes. Somehow, during the same six-year period, the safety record of many of the fledgling commercial operators was much better. In 1925 a government investigating board recommended that the Post Office let airmail contracts to private companies, rather than flying the mail themselves; Congress agreed, and passed the Kelly Airmail Act. One of the results was the formation of three "conglomerate" aviation companies – United Aircraft and Transport, North American (under GM control), and AVCO – which proceeded to win most of the longer airmail routes.

During these years NACA continued to propose bills calling for Federal regulations. These bills received support from such diverse sources as state and local bar associations, the American Legion, Presidents Wilson and Harding, and Secretary of Commerce, Herbert Hoover. In addition, a number of airline owners (and would-be owners) asked Congress for regulations and subsidy; regulation to win public confidence and subsidy to keep them in business regardless of the market or their ability. One of the most common appeals was that the U. S. must not fall behind Europe, where governments were setting up airlines and subsidizing their operations.

"Strengthening Private Enterprise" — by Act of Government

The outgrowth of this lobbying was the Air Commerce Act of 1926, which firmly asserted the government's authority over aviation, giving it authority to "foster air commerce," provide airways and navaids, conduct research and design, issue licenses and aircraft certificates, and investigate accidents. Both President Coolidge and Secretary Hoover had worked for the passage of this act, considering it only as a means of "strengthening private enterprise." As Professor Donald Whitnah points out, "in 1926 rate-fixing and the awarding of exclusive operating franchises to airlines were hardly conceivable to the ma-

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jority of the framers of the legislation."[4]

By 1930, however, the government had already begun to flex its newly authorized muscle. Hoover's Postmaster General, Walter F. Brown, decided that there was too much "chaos" and competition in aviation and decided to "foster air commerce" by forcing mergers and consolidation, using airmail contracts as his "persuader." Previously, of course, these contracts had been let to the lowest bidder. Brown proposed a new law allowing him to select contractors "by negotiation" (on the basis of cooperation with his master plan), and to pay them on the basis of the size of their aircraft, rather than the amount of mail they carried. Congress approved the latter idea but refused to allow Brown full discretion in selecting contractors. Nonetheless, Brown proceeded on his own, at first attempting to persuade various airlines to merge. When that failed, he "arbitrarily selected those companies he believed most suitable,"[5] and awarded them the routes. Lines which didn't cooperate had their contracts (and thereby their route authority) canceled.

When the Democrats came to power in 1932, Senator Hugo Black conducted a sweeping investigation of airmail contracting and exposed the entire shameful situation to public view. In the uproar which followed, Roosevelt ordered all mail contracts canceled and called upon the Army to resume carrying the mail. The Army responded, but it was unprepared and poorly equipped; in the first week 12 pilots died and 6 more were seriously injured. The Army's mail service this time lasted only a few months (at an average cost per mile of $2.21 vs. 54¢ for the airlines!) In the Airmail Act of 1934, competitive bidding was restored, but as a result of the previous scandals, aircraft manufacturers were forced to sell their airline operations. Thus, with one blow, the government destroyed the three largest aviation companies in the country.

The Civil Aeronautics Act

A further consequence of the airmail scandals was the Civil Aeronautics Act of 1938, sponsored by Senator Pat McCarran. Beginning in 1934, Senator McCarran began a legislative campaign for economic regulation of scheduled air carriers. In 1935 a Federal study group recommended treating air transport as a public utility, with subsidies and fare

[4] Whitnah, Donald R., *Safer Skyways—Federal Control of Aviation, 1926-1966* (Ames, Iowa: Iowa State University Press, 1966), p. 27.

[5] Kelly, *op. cit.*, p. 75.

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regulation. Meanwhile, with the resumption of competitive bidding for airmail contracts, and with the Depression rolling along, many airlines lost money, and began looking to Washington for help. The newly-formed Air Transport Association began lobbying for Federal regulation and subsidy, in effect threatening that if the airlines didn't have more money available, they couldn't guarantee safe operation.

The resulting Civil Aeronautics Act "gave the airlines almost all they desired."[6] It provided blank-check subsidy, eliminated competitive bidding on airmail contracts (substituting "need" as the criterion), and protected against competition the routes of existing airlines.

In addition to these provisions, the act set up an independent agency known as the Civil Aeronautics Authority to carry out the regulation of the industry. Two years later the agency was split in two, with the Civil Aeronautics Board (CAB) performing economic regulation and the Civil Aeronautics Administration (CAA) responsible for safety and air traffic control. Except for the CAA being renamed the FAA in 1958 and becoming a part of the Transportation Department in 1966, the government's regulatory structures have remained essentially as they were in 1940.

[6] *Ibid*, p. 102.

The Non-Skeds

There is one further incident in the history of aviation that deserves mention, because it illustrates the nature of the effects of the CAB on competition. At the close of World War II a number of entrepreneurs purchased surplus transport planes in order to start new airlines. Since the established airlines had monopolies on the most profitable routes, the newcomers were legally forbidden to compete with them – as scheduled carriers. But the CAB exempted non-scheduled cargo and coach service from the "certification" (monopoly-granting) procedures, as well as from subsidy. Thus, the newcomers, with their own money, began non-scheduled cargo and coach flights, the latter service an unheard-of innovation in the industry.

The scheduled lines, "free-enterprisers" all, attacked the concept of coach flights as "economically unsound" and implored the CAB to put the non-skeds out of business. But coach service proved to be so popular with customers that the scheduled lines soon began to offer it themselves, undercutting their own arguments. Even so, the CAB began putting pressure on the non-skeds, who then

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asked Congress for an investigation to determine the full extent of Federal subsidies received by the "ins." The scheduled airlines, through their lobbying group, the Air Transport Association (ATA), conducted a massive campaign against the non-skeds, charging that they "were making no public contribution and constituted a drain and diversion of needed revenue from the scheduled carriers."[7] Eventually, this type of propaganda was successful; the CAB adopted regulations which put most of the non-skeds out of business.

Suggested Solutions, Their Flaws

That a crisis in aviation is impending is widely acknowledged; aviation and aerospace publications have been rife with analyses and recommendations for several years. Now newspapers and newsmagazines are beginning to pick up the story, alerted by growing flight delays, air controller slow-downs, and hopelessly congested airports. And so there is no dearth of proposed solutions. In evaluating these proposals, however, it is vital to keep one point clearly in mind: the essential nature of the problem is not technological or political, but economic. As with any other case of government intervention, the normal relationships between supply and demand have been grossly distorted with the result that on the one hand massive needs (electronic "area navigation," larger and more modern airports) are being ignored, while on the other hand the present consumers of airline service are not paying anything like the full costs of the service they are getting. For this reason, any solution that deals with only politics or technological improvements is actually dealing with effects, rather than causes.

The government's short-term approach will be some variation of the "user tax" plan developed by the Administration. Under this plan, additional taxes will be levied on tickets, a new tax levied on airfreight, and fuel for private planes taxed. About half of the money raised by these taxes (i.e., $5 billion over 10 years) will be earmarked exclusively for airports and airways improvements, with the remainder going into "general revenue." According to Transportation Dept. projections, some $14 billion is needed for airport and airways modernization over the next ten years – thus, the remaining $9 billion would have to come from Congress and/or local communities.

The only real merit of the user-tax proposal is that it gives token recognition to the fact that the

[7] *Ibid*, p. 180.

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users are not currently paying the full costs of the service they are receiving. But it does this in so minimal a way as to be almost worthless. It still leaves all essential funding decisions to be made politically, with the result that millions of taxpayers will still be forced to pay most of the costs, for the benefit of a few. Since the plan doesn't identify the principle of full-cost pricing vs. indirect subsidies, it is easy for vested interests to attack it as costing them more than they are accustomed to. (The Air Transport Association and the Aircraft Owners and Pilot's Association have already done just that). In addition, the proposal makes the error of assuming that simply providing more money is the answer to all the problems, without ever questioning whether the government's bureaucracies might themselves be part of the problem.

A proposal which does raise this question was made in December, 1968, by Glen A. Gilbert, aviation consultant and one of the originators of the existing Air Traffic Control (ATC) system.[8] After many years of experience in aviation, both in government and industry, Mr. Gilbert has concluded that the FAA's structure and policies are not conducive to continuing progress in developing and implementing advanced-technology systems. He proposes that the FAA get out of the airways business altogether, in favor of a COMSAT-type corporation financed directly by the users, based on the actual costs of the services provided. This idea, predictably, has received little publicity outside of aviation circles. It is certain to be opposed by the same organizations and interests that opposed the user-charge taxes.

Probably the most popularized approach of 1969 is to call for a "total systems approach" to the entire airport/airways/airline/ground transportation problem. It is difficult to argue with this approach, per se, since all it really says is that a complex problem is not likely to be solved by piecemeal solutions considered in isolation from the total system. Yet, what most proponents of this approach end up calling for is merely more of the same – more "Federal spending" and more government regulations. A genuine systems approach must look beyond conventionally perceived boundaries of the problem, and determine to what extent the established order (the FAA, the CAB, and the special-interest groups) may be the cause of the problem.

Political control of airports, air-

8 "Gilbert Offers ATC 'Master Plan'," *American Aviation*, December 23, 1968, pp. 28-37.

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ways, and airlines prevents the normal market mechanism from operating. It is impossible to determine the true demand for air navigation service, since the users, the airlines and general aviation, do not pay for it. Airport construction lags traffic growth by a decade – because taxpayers and traffic are very different people. Hundreds of short-haul transport aircraft crowd airports and airways, aircraft whose average passenger load is too small to be profitable and whose owners would be long since bankrupt, but for 22 years of subsidy at public expense.

The Proper Solution

If the present system is collapsing, and increased government intervention does not attack the core of the problem, what then is the answer? The basic economic problem cannot be solved by legislative fiat – if supply and demand are distorted by arbitrary regulations, they cannot be forced back to normal, since "normal" means what supply and demand would be free of force. What the government must do is to get out of the way and let the market mechanism take over. Since men are volitional beings, it is impossible to spell out in advance exactly how, free, they would solve these (or any other) problems. Nonetheless, it is possible to set forth the principles that apply in this case and draw some logical conclusions from them.

The first principle is that everything which is of value to someone has a market value, which the objective forces of the free market can and do (and should) determine. Any violation of this principle (by subsidy, "free" services, coercive barriers to entry and exit, or enforced price-fixing) distorts the market process and unjustly benefits some by the coerced sacrifice of others. The second principle is that the proper role of government in a capitalist society is to protect rights, in this case, property rights. It is impossible for men to peaceably conduct business unless there is a set of objective ground-rules which define what constitutes particular types of property, how such rights are originally acquired, and how the right is to be legally protected. By misunderstanding this crucial principle, modern legal theory has applied the ancient tribal concept of "public ownership" to such uniquely twentieth-century property as radio and TV frequencies and air routes.

Under capitalism, airports would be private businesses, operated for profit, deriving revenues directly from customers (airlines, individual airplane owners, passengers, concessionaires, etc.)

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Such an airport would be free to float bonds and to sell stock (as does Madison Square Garden) in order to raise capital. In order to remain profitable, the airport's management would have a strong incentive to plan for the future, developing the same type of forecasting expertise possessed by aircraft manufacturers and airlines.

The airport management would be free to make whatever contracts it could with the various airlines which would compete for terminal space and landing privileges. In the interest of attracting the largest number of passengers, the airport company would seek the most competent airlines in terms of quality and quantity of service. At the same time, by means of those individual contracts, the airport company could control arrival and departure times to prevent rush-hour congestion of runways. To assure customers of convenient access to the airport, it would be in the company's interest to cooperate with local high-speed transit companies in planning and building airport access links.

It is quite likely that airline customers using such airports would pay more for their trip than they do now. Without the power of "eminent domain," the airport company would have to acquire land at full value, rather than by condemnation and coercion; in addition it would have to bear full legal liability for accidents and noise, like any other business. And, of course, without access to tax money, it would be unable to force the local citizenry to make up any operating losses. On the other hand, the customers, while paying their way, would enjoy the benefits of well-planned, low-congestion terminals, rational scheduling, on-time operation, a wider choice of services, and probably greater safety due to the airport's full-liability status.

Under Private Ownership

As far as air traffic control is concerned, the basic concept of an ATC "utility" has already been presented. The only flaw in the existing proposals is the automatic assumption of a nonprofit or quasi-governmental status for such a company. If AT&T can provide high-quality telephone service at low rates, while making a healthy profit, why couldn't the same be true of an ATC company? (Interestingly, the existing ATC system was begun by a private company formed by the airlines back in the thirties. When the Federal government took over control of the skies, it inherited a functioning system, including en-route navaids and control towers.)

The largest single benefit of a

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privately-owned ATC system is that sufficient funding and motivation would be available to implement up-to-date electronic navigation techniques. Much of today's air traffic congestion results from the FAA's requirement that airlines fly exclusively over the limited number of straight-line paths linking VOR ground stations (navaids). For nearly 15 years, onboard computers and pictorial displays have been available, which, when installed in an aircraft, permit the pilot to define a new path, not restricted to the old station-to-station ones.

This technique, known as area navigation, has the potential of increasing the amount of navigable airspace by orders of magnitude, as well as substantially reducing air traffic controller workload (since the pilot does most of his own controlling). After years of lethargy and indifference, the FAA last summer finally began allowing limited experimental usage of area navigation, but only under the threat of total saturation of the existing airways.

With airports privately run, and airways privately defined, what would be the position of airline companies with regard to free access to specific airspace? The crucial question here is the proper definition of the property rights to an air route. Because two aircraft cannot fly over the same airway in the same place, at the same time, and because the number of airways, though large, is ultimately limited, it is clear that individual airways constitute a class of property and ought to be protected as such.

Allocation of Routes

The other important issue concerns which airlines would serve which cities. The advocates of government control claim that under laissez-faire every airline would attempt to serve every city, with the result that all (or most) would go bankrupt. When challenged on the absurdity of this assumption, they usually give as an alternative their fear that the airlines would form a huge cartel, dividing up the markets among them, and fixing the prices. This is, of course, precisely what the CAB presently forces them to do.

As pointed out earlier, it is impossible to predict exactly what would happen in a free market for air service. But because of the competition for the limited airport space, the number of airlines, or more precisely, the number of planes, serving a particular city-port would probably be limited (though in many cases, more than at present). The important point to remember is that the market, rather than politicians, would be

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allocating the routes and the difference that would make could mean significant improvements in service. (In the early fifties Eastern Airlines asked the CAB for permission to link Florida and California – a market not then served. For a number of years the CAB held hearings, hearing mountains of inconclusive testimony from various city governments and airlines; eventually the route was awarded to National Airlines on the basis of its "need" for it. Thus, Eastern, with three times as many planes, was completely frozen out. Examples such as this dot the history of the CAB.) The CAB's policies prevent greater service on many profitable routes, and force excess service on many marginally-profitable or loss-producing routes. In the free market, the quantity and quality of service to or from any city would bear a direct relationship to the demand for service, as reflected in the prices people were willing to pay.

Thus, unrestricted competition, far from causing chaos, would promote orderly, harmonious growth in air service, with everyone paying his own way. It is certainly possible that some cartel-type agreements would be attempted – this is a possibility in any free market. But as in any other market, neither technology nor competition stands still; no price can be fixed at a highly profitable level for very long (except by the government) without attracting competition. The unrestricted operation of supply and demand provide real-time feedback of information to both consumers (via prices) and producers (via profits) about the state of the market. When liberated from the distortion of government intervention, the market mechanism will provide whatever air services people—as individuals, rather than as special-interest groups – are willing to pay for.

Steps Toward Freedom and Order

If the Administration became convinced that government was the cause of the aviation crisis, there are three specific steps it could take, by way of decontrolling. The highest priority should be given to selling the FAA's air traffic control system to the highest bidder (the proceeds to be distributed as income tax refunds). The new owners, after a transition period in which to raise capital, could get on with a crash program to implement electronic area navigation. As soon as the changeover was complete, they would begin charging all users for their services.

Once area navigation was operational, and the air congestion crisis over, the government's next

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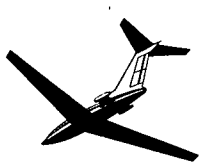
step would be to cancel the Federal Aid to Airports (FAAP) program. This would leave municipalities with the alternatives of greatly increasing local taxes (very unlikely) or selling the airports to private companies. Those cities which did neither would probably soon find their obsolescing airport competing with newly-built or newly-acquired privately owned and operated airports. (Howard Hughes was recently acquiring land for an SST-port in Nevada until stopped by the CAB, and design firms have designed a number of offshore airport concepts, suitable for such cities as Los Angeles, New York, Chicago, and Cleveland.)

The government's third step would be to abolish the CAB. Not a single one of the CAB's functions is justifiable in a free society; none is without harmful economic consequences. Abolishing the CAB would immediately end millions of dollars of subsidies to smaller airlines, probably causing a number of mergers and acquisitions. At the same time, with the elimination of route "certificates," all air routes would be opened to competition. The airlines would be free to negotiate with all airport owners (private and government) and much new service would be made available in short order (and could be easily accommodated via area navigation). At the same time, the government would be obliged to promulgate an air route property law, precisely defining the means of establishing and enforcing usage priority for individual airways.

These steps, to be sure, would be vociferously opposed by the multitude of vested interests and their lobbyists, which have proliferated in response to government's policies. It will take men of integrity, in business and in government, to stand up to these men and answer their pleadings of "need" and "public interest" with reason and economics. Such men of integrity are essential if we are to escape the stagnation which is the end result of government control.



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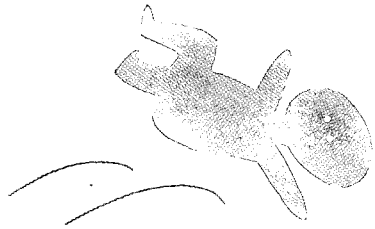
LEONARD E. READ

DON'T THROW OUT THE BABY!



THE COURSE we now follow in a careless, thoughtless, and irrational manner could destroy a recent and by far the most progressive economic concept ever come upon by mankind! In a blindness brought on by such forces as irritation, covetousness, a false sense of justice, adherence to an outmoded value theory, and a propensity to run other people's business, we are about to throw a precious human asset – the baby – out with the bath.

The baby? It is the *open* as distinguished from the *closed* road to wealth. Were we to collapse recorded history to the average life span of Americans, the baby would be less than two years old. As Ortega points out, it is always the latest and highest acquisitions of the mind that are the least stable and the first to be abandoned whenever crisis threatens. But before describing the baby, let us reflect upon the bath that is forming and about to be thrown out – the baby with it.

What is the bath? We are presently showered with the outbursts of anticapitalistic mentalities from every quarter: the press, radio, TV, pulpit, classroom, political chambers. So numerous and overpowering are these shallow fusillades that capitalists themselves are in retreat. They apologize for profits, take refuge behind such nonsensical notions as being in business for "the social good," and they support all kinds of socialistic, anticapitalistic legislation. Wealth, which most people seek for themselves, is being inundated in scorn and obloquy as if it were something evil.

None of us knows all the reasons for this anticapitalistic mentality but one of them, certainly, is the unfavorable effect affluence or wealth has on many citizens.

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Never in man's history have so many individuals experienced affluence as in the U.S.A. today. Literally millions of persons can have all of the material embellishments their hearts desire, and millionaires all over the place! There are notable exceptions, of course, but not many of us can stand such affluence. Wealth, so easily come by, often tends to turn individuals away from serious, responsible citizenship into do-nothings and "big shots." Individuals so afflicted bear little resemblance in character to their struggling ancestors.

Further, our plunge toward all-out statism with its attendant woes and troubles seems to coincide with the rapid ascendancy in affluence as if the latter brought on the former. This is not a cause-effect sequence, but it *appears* to be. So, we are urged, stop this race for the almighty dollar. Cease doing the things which lead to wealth, or which depend upon it. To follow this course as I shall try to show, is to throw out the baby with the bath.

As with eating and drinking, discriminately employed wealth serves a life-saving and life-giving purpose. But wealth has built-in temptations, as do food and drink, which can and often do lead to overindulgence. I suspect that the real reason why affluence has such an unsavory reputation is that wealth is used more for self-glorifying than for self-improving ends—a form of gluttony! Ill-used wealth does more to downgrade than to upgrade the people it graces. The noble purposes wealth may serve are rarely understood.

Smothering Poverty

Consider the opposite of wealth: abject poverty, as experienced by Chinese coolies, for instance. They labor in rice paddies from morn till night to eke out a bare animal existence. These human beings have unique potentialities no less than did our poverty-stricken ancestors. But note that there is little if any realization of these potentialities among coolies. The good earth is populated with many outstanding musicians, artists, poets, philosophers, engineers, architects, scientists, and a thousand and one other specialists. Chinese coolies, be it observed, are seldom numbered among them. Why? Abject poverty!

I devoutly believe that life's purpose is to grow, emerge, develop and that poverty, so long as it persists, subverts this end. Assuming that the evolution of man is our objective, then wealth is the means to rid us of the enslavement poverty imposes. Wealth, when employed as a freeing agent,

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is essential to man's march toward his destiny. Wealth may be abused and misused, yet it has a role to play in intellectual, moral, and spiritual progress; it is a vital means to these high ends.

The moral or evolutionary purpose of wealth is not to free man from life's struggle – far from that! Its purpose is not that man may retire or allow his faculties to vegetate. And definitely it is not to substitute ease and comfort and ostentation for hard work. Rather, its purpose is to allow us to get ever deeper into life – to work even harder – along the lines of our creative uniqueness. This is how we evolve.

As abject poverty subverts the evolution of man, so does wealth when it is worshiped and used as an end in itself rather than as a means to the higher ends. But to disparage and finally to rid ourselves of this vital tool simply because we have failed to grasp its moral purpose and application is destructive nonsense.

The Closed Society

What I refer to as the closed road to wealth dominated the world economic scene up to the Industrial Revolution. There are exceptions but, for the most part, wealth was reserved for the very few: the Maharaja, the Lord of the Manor, the master of slaves, merchant princes – the "upper crust." Theirs were political conferments, instances of special privilege. Wealth was measured in size of estate and castle, jewels, servants, and the like – more an enslaving than a freeing agent, energy consumed to fend off predators rather than released for individual emergence. It was political, not private, ownership; no respect for each man's right to the fruits of his own labor! Coercive to the core, the resultant social arrangement assumed various forms: despotism, feudalism, autocracy, the guild system, mercantilism, wage and price controls, protectionism, and so on. *Closed*, indeed!

In such a closed society, the millions were essentially serfs; if born a shoemaker, you remained one regardless of your talent or potential for any higher calling. You, poor slave, stay put! It is easy to understand why, in that dark age of economics, Saint Thomas Aquinas argued that these poor people *had a right* to a minimal standard of living from their lords and masters. Such was the sentiment which Marx later popularized: "From each according to ability, to each according to need." Given a closed – authoritarian – economy, there is no other way to disperse the wealth required to sustain life.

As darkness has no resistance

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to light, so has ignorance no resistance to enlightenment. Ignorance is always upon us in the absence of enlightenment; it retreats naturally as enlightenment increases but stands ever ready to descend again upon the blind.

Open Competition

About 200 years ago, a remarkable political and economic enlightenment substantially removed the barriers – temporarily at least – that had closed the road to wealth. The baby was born: the open road to wealth! And it has been named the Industrial Revolution.[1] Goods and services henceforth would be produced for the masses and not solely for the political elite.

While the order of the successive steps in this enlightenment might be debated, it is my view that the first step was and had to be a recognition of human dignity. This is to say that each individual is as much a human being as any other; the son of a cobbler is entitled to opportunity no less than is the Prince; everyone equal before the law as before God – each his own man with a fair field and no favor. Any person, regardless of ancestry, free to rise to any height his energies and talents might take him. The road open!

Implicit in this enlightened recognition is that each and every person has full and exclusive right to the fruits of his own labor. In a word, the acceptance of a moral principle – justice – led logically and positively to the economic tenet on which the open road to wealth is founded: *private ownership*. Not that private ownership displaced political ownership and special privilege entirely – far from it! But the barricades were broken; there was not only the prospect but, far more than ever before, the reality of the open road.

Specialization, as might be expected, became the next step. Individuals, as they were freed from the bondage which abject poverty imposes, began to engage in an infinite variety of activities, each according to his unique talents and abilities.

Then came the next flash of enlightenment: freedom in transactions. If a particular good or service is really mine and some other good or service is really yours, there follows logically from this private ownership the right to exchange with whomever one pleases.[2] It simply is nobody else's

[1] For a revisionist view of the Industrial Revolution, see *Capitalism and the Historians* by various authors, edited by F. A. Hayek (Chicago: University of Chicago Press, a Phoenix Book, 1963).

[2] To deny freedom to exchange is to deny private ownership. One owns only that which he controls.

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business. Freedom in transactions tended to become the rule rather than the exception.

Trade Benefits Both Parties

Assuredly, the next most important enlightenment came about 1870 when some economists discovered how ordinary people behave when free from controls. In other words, they discovered or came to understand the subjective theory of value. Until this time, the value of a good or service had been reckoned by cost of production, that is, by the amount of exertion expended. This false measure of value had been a real hindrance to private ownership, specialization, and freedom in transactions. Following the discovery of the subjective theory, the value of any good or service, instead of being determined by cost of production or dictated by some cartel, was whatever could be obtained in willing exchange. It is that simple. The market value of my pen? Whatever you or some other customer will give for it. If there are no willing buyers, its value is zero; if the top bidder offers two dollars, that's its value.

There's the baby – this recent flash of light or understanding. Its significance is seen by contrasting what has happened in the U.S.A., where this wisdom reached its apex, with what otherwise might have been the situation. Without this economic enlightenment, most of us either would not have been born or would have died in early childhood. Adam Smith (1776) observed that the average mother in the Scottish Highlands had to bear twenty children for a reasonable prospect that two might reach adulthood, so great was the infant mortality rate. There simply wasn't production enough to sustain more than a relatively small population.

Next, had that closed road to wealth persisted, nearly all of us, including our millionaires, would still be in the class of servants, serfs, armed guards, and the like. Even the simple requirements for life—food, clothing, shelter—would be no more than the political hierarchy might see fit to allot to us. Slaves!

And last, born a cobbler, remain a cobbler! The unique potentialities of the individual dead on the vine! The destiny of man—growth, emergence – forever stifled!

Now, look around us: would-have-been slaves – millions upon millions of us – in that advanced state of affairs in which each may pursue his unique talent and can receive in willing exchange those goods and services required for well-being. Take, for example, one who specializes in the study and explanation of the freedom philos-

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ophy and produces nothing else, nothing whatsoever. If he receives enough for his efforts to defray the costs of shelter, food, heat, light, and countless other desiderata, he is wealthier than any Lord of the Manor of bygone days. And solely because of a practice of freedom – a baby in the realm of enlightenments – this open road to wealth!

I repeat, affluence has had a disgusting effect on a great number of individuals. Wealth has become so much a god that it knows no satiety.[3] Imagine, some of the wealthiest people who ever lived shouldering a debt without historical parallel – the combined indebtedness of U.S. citizens in excess of a trillion dollars! And more: an enormous siphoning off of accumulated capital assets by diluting the medium of exchange – inflation!

However, we must remember that this affluence exceeds anything mankind has heretofore experienced; we are not conditioned to such wealth; it is not in man's tradition. Thus, we resemble children turned loose in a candy bin; if they make themselves ill, it is not the fault of the sweets or a reason to outlaw candy. It is, instead, the occasion for some dietary sense and self-discipline.

And ours is the occasion for some sense in political economy and morals as related to the evolution of man. It is pitiful to observe millions of people enthusiastically working against their own interests, that is, working their way back to the closed road. And it is easy to tell which way we are heading. Substitutions of political for private ownership, wage and price controls, labor or business cartels, subsidies, inflation, or other schemes that feather the nest of some at the expense of others rebuild the barricades. Such hazards preclude the several necessary steps to the open road and turn us against our self-interest!

While I deplore the way many affluent people behave, I trust their wealth to them far more than to politicians or others who had nothing whatsoever to do with its acquisition.

Finally, regardless of how unfavorably we may view the way wealth is used by its owners, let us not, under any circumstances, throw out the baby with the bath. This infant enlightenment is one of the most priceless blessings of mankind.

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[3] This is no merely modern defection; Plato describes the decay of an oligarchy in Book VIII of *The Republic:* "And so, as time goes on, and they advance in the pursuit of wealth, the more they hold that in honor the less they honor virtue . . . From being lovers of victory and lovers of honor they become lovers of gain getting and money."

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GARY NORTH

THE THEOLOGY OF THE EXPONENTIAL CURVE

Growth for the sake of growth is the ideology of the cancer cell.
Edward Abbey

CARL BECKER, the late Cornell professor, was once regarded as the "dean of America's historians." His most famous work, *The Heavenly City of the Eighteenth-Century Philosophers* (1932), was a literate defense of the idea that the "rationalism" of the Enlightenment was really a religious faith modeled after the thirteenth century's theological concerns. Enlightenment rationalism is best understood, Becker argued, as secularized theology; its presuppositions were as unprovable as those of the scholastic philosophers. Both systems, in the final analysis, are equally based on faith. While he has been criticized for his handling of particular ideas, most notably by Peter Gay, Becker's fundamental presentation still holds: the reigning faith of an age – the "climate of opinion" as he called it – is no less a faith just because its devotees like to refer to themselves as rationalists.

Becker believed that certain key terms reveal the true concerns of the Enlightenment: Nature, Reason, and Progress were three of these. These were self-attesting, "self-evident" propositions. Nature,

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in that confident, post-Newtonian world, was seen as being under the control of universal laws, and these laws are discovered by the operation of the human mind. We can understand the impact of Newton's law of gravitation on his age; indeed, the impact is with us still. Eugene Wigner, a Nobel prize winner in physics, has pointed to the astounding nature of the discovery:

> The law of gravity which Newton reluctantly established and which he could verify with an accuracy of about 4 per cent has been proved to be accurate to less than a ten thousandth of a per cent and became so closely associated with the idea of absolute accuracy that only recently did physicists become again bold enough to inquire into the limitations of its accuracy.[1]

Understandably, men were impressed with such a find. Wigner himself concludes his essay by saying that "the miracle of the appropriateness of the language of mathematics for the formulation of the laws of physics is a wonderful gift which we neither understand nor deserve." The vision of a universe totally under the reign of law – mathematical law – captivated social scientists as well, as Louis Bredvold's book, *The Brave New World of the Enlightenment* (1961), demonstrates so forcefully. Thomas Hobbes, for example, believed that political affairs could be predicted and controlled if the mathematical laws of politics could be discovered. It was no doubt a dazzling vision.

Coupled to this faith in mathematical law and human reason was the idea of progress. J. B. Bury's *The Idea of Progress* surveyed its impact; published at the turn of the century, it still is an important study. More recently, Robert A. Nisbet, the conservative American sociologist, has examined the concept of development in Western thought.[2] Society was viewed as an organism by Enlightenment thinkers; if unhampered by "reactionary" human institutions and traditions, societies invariably progress. Social change is therefore "natural"; it is cumulative, irreversible, directional, uniformitarian, and immanent (i.e., self-motivated). French Revolutionaries drew the obvious conclusion: since progress is desirable (self-evident truth), such reactionary institutions must be abolished.

[1] Eugene P. Wigner, "The Unreasonable Effectiveness of Mathematics in the Natural Sciences," *Communications on Pure and Applied Mathematics* (1960), goes into the marvelous correspondence of mathematical reasoning and certain kinds of external, physical events.

[2] Robert A. Nisbet, *Social Change and History* (New York: Oxford University Press, 1969). For a summary and analysis of the book, see my review in *Modern Age* (Fall, 1969).

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Christian culture had to be destroyed. "Crush the accursed thing" was Voltaire's battle cry.

The Loss of Faith

Two events – possibly three – helped to shatter men's faith in natural progress. The first was the publication of Darwin's *Origin of the Species* in 1859. The immediate response was overwhelmingly favorable; all 1,250 copies of the book were sold out on the first day.[3] Marx hailed it as the foundation in natural science of his own scientific socialism.[4] R. J. Rushdoony has commented on the intellectual effects of the idea of natural selection:

> Darwinism destroyed this faith in nature. The process of nature was now portrayed, not as a perfect working of law, but as a blind, unconscious energy working profligately to express itself. In the struggle for survival, the fittest survive by virtue of their own adaptations, not because of natural law. Nature produces many "mistakes" which fail to survive and become extinct species and fossils. The destiny of the universe is extinction as its energy runs down.[5]

Social Darwinists like Herbert Spencer and William Graham Sumner tried to apply the principle of natural selection to the social realm, but with little ideological success. Men found its implications too difficult to bear. (Mises has argued that they misused their arguments: capitalism, through its great productivity, has permitted the less fit to survive, i.e., those who would have perished in a less productive economic system.[6]) The Social Darwinists' defense of capitalism fell on increasingly deaf ears; the idea of natural selection had done its work:

> All of this served to shatter the older faith in nature. Nature as the agency of predestination was gone. It became increasingly evident to naturalistic thinkers that man must control his own evolution and also control the evolution of plant and animal life. Moreover, man must create and control his own social order, so that total statism, total socialism, is "scientific socialism," that is, socialism which recognizes that man cannot exist without predestination and therefore provides for the con-

[3] R. J. Rushdoony, *The Mythology of Science* (Nutley, New Jersey: Craig Press, 1967), p. 14.

[4] "Marx to Engels, Dec. 19, 1860"; in Dona Torr (ed.), *Marx-Engels Selected Correspondence* (New York: International Publishers, 1935), p. 126. Marx later offered to dedicate *Das Kapital* to Darwin, but the latter prudently declined the honor.

[5] R. J. Rushdoony, *The Biblical Philosophy of History* (Nutley, N. J.: Craig Press, 1969), p. 7.

[6] Ludwig von Mises, *Human Action* (New Haven: Yale University Press, 1949), Ch. VIII, Sect. 6, pp. 164-65.

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trol of process, for total planning and predestination, by the elite men.[7]

Or, as the late C. S. Lewis has put it, when we hear the phrase "man must take control of man," we should watch out; it means that some men must take control of all the others.[8]

The second event that broke men's faith in progress was the First World War. It combined with the third factor, Freudianism, to convince men that the faith in the rationality of mankind was too easy, even naive. Freud's own pessimism concerning the possibilities of psychoanalysis for curing men's psychological problems was not adopted by the majority of his followers, but this should not blind us to the fact of Freudian pessimism: long ages of evolution, he believed, would be necessary to separate men from their irrational, bloody antecedents.[9] The War seemed to prove Freud's contention that subrational influences guide men's decisions.

The faith in inevitable, natural progress has been lost. This loss of faith has been devastating in the historical guild. The triumph of historicism and relativism have emasculated historical studies. J. H. Plumb has bewailed this development:

> So the modern historian is crucified by this dilemma: he must act like a scientist although historical objectivity cannot exist. His work can have no validity except for himself, and, perhaps, for fellow historians playing the same game by the same rules or perhaps for those men of his age who think and feel like himself.... The philosophers of history will allow history to be a profession, even admit to its having educational and literary value: what they will not tolerate is the idea that it has a social purpose....[10]

Plumb cries out in horror against what has happened to the writing of history in our time; vainly, he tries to bring new life to a dead idea. Unfortunately for his efforts, there is nothing deader culturally than a dead idea.

So there we have them. The idealists insisting that history is merely a present world, ever changing, never static; the academic positivists burrowing like boll-weevils in the thickets of facts, mindless, deliberately, of purpose and meaning outside the

[7] R. J. Rushdoony, *Biblical Philosophy of History*, p. 7.

[8] C. S. Lewis, *That Hideous Strength* (New York: Macmillan, 1947), p. 37. The same theme is explored in his *Abolition of Man*.

[9] R. J. Rushdoony, *Freud* (Philadelphia: Presbyterian & Reformed, 1965), compares "original Freudianism" with later Freudian environmentalism.

[10] J. H. Plumb, "The Historian's Dilemma," in Plumb (ed.), *Crisis in the Humanities* (Baltimore: Penguin, 1964), p. 30.

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orbit of their own activity; the public prophets using pseudo science to justify a repetitive, cyclical interpretation of history, and the littérateurs preoccupied with evocation and exercize of the imagination. The result is nihilistic and socially impotent.

All are equally guilty I think of wilfully rejecting the one certain judgment of value that can be made about history, and that is *the idea of progress.* If this great human truth were once more to be frankly accepted, the reasons for it, and the consequences of it, consistently and imaginatively explored and taught, history would not only be an infinitely richer education but also play a much more effective part in the culture of western society.[11]

It is a bleak, bleak picture that Plumb paints. The halls of ivy have become empty shells—broken shells, like Humpty Dumpty. "History properly so-called can be written only by those who find and accept a sense of direction in history itself," writes E. H. Carr. "The belief that we have come from somewhere is closely linked with the belief that we are going somewhere. A society which has lost belief in its capacity to progress in the future will quickly cease to concern itself with its progress in the past."[12]

[11] *Ibid.*, p. 34.

[12] E. H. Carr, *What Is History?*, cited in Rushdoony, *Biblical Philosophy of History*, pp. 132-33.

The Concept of Economic Growth

The social scientists who have retained their faith in planning have not been hit so hard as those in the humanities by the death of the idea of progress. Economists in recent years have become fascinated with the possibility of continual economic expansion. The first signs of the faltering of this faith have become evident in recent months, specifically with regard to the question of ecology and the pollution problem. Last November, at a meeting of the United States Commission for UNESCO, a call for total stability went forth to the world. The *New York Times* News Service in late November ran a feature article in which Jerry Mander, a San Francisco advertising man, was quoted as saying, "Beginning now, there should be national preparations toward a no-growth economy." Robert Anderson, board chairman of Atlantic Richfield Oil Company, called for negative population growth. Hal Lehrman, president of the Overseas Press Club, said: "You've got to prove growth is evil. How do you do it?" Mander admitted that "at this moment, we are totally unprepared, emotionally, psychologically, and technologically for the emerging facts." The propaganda campaign is beginning. If it takes hold of the outlook of economists, an intellec-

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tual revolution will occur in the guild.[13]

Why the fascination with economic growth? Herbert Heaton, one of the founders of the discipline of economic history (and close friend and associate of the late T. S. Ashton), once remarked in a graduate seminar I was attending that this concern with economic growth, especially growth in underdeveloped nations, hit the profession almost overnight. Specifically, it appeared simultaneously with the advent of the Cold War. Certain questions became the chief concerns for academic economists: how to keep growth rates high in the noncommunist societies; how to export growth to underdeveloped (formerly referred to as "backward") nations, thus keeping them loyal to democracy (the theory went)?

The Answers Are Impracticable

The answers to these questions have generally been in the neo-Keynesian framework in theory and virtually inoperable in practice. The programs of foreign aid were supposed to result in industrialization, which in turn would become self-sustaining, leading the underdeveloped countries into the twentieth century economically. What the programs have actually accomplished has been far different: state-to-state aid has strengthened the state-controlled zones of the recipient nations' economies, making it more difficult for independent firms in the private sector to compete successfully with the underwritten statist projects.[14] The Soviet Union has been equally inefficient in providing needed aid; "helpful" bureaucrats from both the United States and the Soviet bloc have bungled program after program, as bags of cement get shipped to Southeast Asian countries during the rainy season, and mammoth buildings without air-conditioning get built in African states.[15] The reports of such projects are legion; if they were not so expensive, they would be much funnier.

The Paranoia of Economic Growth

Naum Jasny, in his book, *Soviet Industrialization, 1928-1952* (1961), reveals how Stalin used growth figures as propaganda de-

[13] R. J. Rushdoony, *The Myth of Over-Population* (Nutley, N. J.: Craig Press, 1969). The propaganda aspect of this message is not that the goal of continuous economic growth is unattainable, but rather that the State has an obligation to restrict such growth by actively intervening into the market, or into the family.

[14] M. A. Thurn-Valsassina, "Foreign Aid as Seen by a Foreigner," *Modern Age* (Summer, 1959).

[15] Victor Lasky, *The Ugly Russian* (New York: Trident, 1965), presents a whole book full of such tidbits of bureaucratic bungling.

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vices, setting goals for the five-year plans (themselves propaganda devices more than planning tools) so high that no economic system could have produced the anticipated results. It was growth for the sake of growth. The actual per capita output of consumer goods did not significantly increase until the mid-1950's; only in 1952 did wages reach the level that Czarist Russia had attained in 1913![16]

Two wars and a revolution obviously were retarding factors in Russian economic expansion. So was the loss of manpower in the famine of the early 1920's and the collectivization of the farms in the late 1920's and early 1930's; at a minimum estimate, five million persons were either executed or deported during collectivization.[17] A million people starved to death in 1933 alone, during the forced collectivization of the farms, Jasny estimates.[18]

The Soviet Union has experienced a high growth rate of its aggregate output of goods; Bergson's estimates put it at 4.5 per cent per annum, 1928-1960, and 5.2 per cent if we exclude the war years.[19] The rates have tapered off significantly since 1960, but enough people seem to be so impressed that they deliberately ignore the costs of that industrial growth to the Soviet Union in human lives and human freedom (which is almost impossible to deal with statistically, so it is relegated to the background). What did these growth rates actually reflect? Jan Prybyla's comments are to the point:

> What the Russians have shown is that cockeyed economic growth at rapid rates can be achieved without economists and without economic science; but that after the economy outgrows its teen-age crisis, elusive and subtle problems of resource allocation among an increasing number of competing "priority" ends demands an economic science for their solution.[20]

Loopholes for Survival

It is this lack of economic science that has created the present crisis in the Soviet economy: constant fluctuations back and forth between regional and national economic planning, constant short-

[16] Janet Chapman, *Real Wages in Soviet Russia Since 1928* (Cambridge, Mass.: Harvard University Press, 1963), p. 150.

[17] Robert W. Campbell, *Soviet Economic Power* (2nd ed.; Boston: Houghton Mifflin, 1966), p. 24.

[18] Naum Jasny, *Soviet Industrialization, 1928-1952* (Chicago: University of Chicago Press, 1961), p. 73.

[19] Abram Bergson, *The Economics of Soviet Planning* (New Haven: Yale University Press, 1964), p. 316.

[20] Jan S. Prybyla, cited in Gary North, *Marx's Religion of Revolution* (Nutley, N. J.: Craig Press, 1968), p. 225.

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ages of key production goods, and a full-time quasi-legal network of black market suppliers which keeps the planners' errors from bringing the whole economy to a grinding halt.[21] The two factors chiefly responsible for the successes of the Soviet economy, however limited outside of the USSR's military-industrial complex, have been its own domestic "free" market – the black marketeers *(tolkatchi)* and the small private garden plots of the peasants – and the productivity of the Canadian wheat farmers. I am reminded of an editorial cartoon I saw years ago (I think Herblock did it), in which we find a Soviet army officer saying to a commissar: "But Comrade, if we win the whole world to communism, where will we buy our wheat?"

Fascinated with the propaganda value of Soviet growth figures (themselves frequently suspect, especially in the "conclusion" sections[22]), American economist-propagandists have become obsessed with the task of equaling or exceeding Soviet growth rates. They see this as a necessity, in spite of the obvious mathematical fact that the larger a base figure is, the larger aggregate increases must be to keep it expanding at a constant rate. The Soviets, decades behind the United States in economic output, can more easily enjoy high growth rates, and even they have discovered the difficulty of retaining their high rates as their economy expands (witness their falling off of growth rates since 1960).

Reliance on Mathematics

Why this obsession with aggregate growth? One answer which I have already mentioned is the fact that freedom is difficult to chart statistically. We therefore see our propagandists appealing to other results of the two societies in order to compare them. Another impetus to the "growth game" is the very methodology of contemporary academic economics. Men whose concern for methodological rigor far outweighs any other professional goal in their lives will have a tendency to examine aspects of an economic system that are subject to the "elegance" of mathematics. They will tend to search diligently for "statistical handles" that are nicely "neutral," and therefore acceptable to other professional economists as valid measurements of an economy's benefits. The economic methodologies of both the Soviets and Keynesians, while differing in de-

[21] Gary North, "The Crisis in Soviet Economic Planning," *Modern Age* (Winter, 1969-70).

[22] Jasny, "Soviet Statistics," *The Review of Economics and Statistics* (1950), pp. 92ff.

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tail, still focus on aggregate output figures that are useful in the tasks of centralized planning and prediction. Thus we see the fetish of the GNP – the so-called Gross National Product.

Numerous critiques of GNP figures have been made, but the important one is that the GNP figure would have meaning operationally only as a report of a single firm owned by a single set of owners. This may be the goal of some statist planners, but it is not yet a reality, either in the Soviet Union or in the United States; when it is, we will see true economic chaos.[23] The GNP is therefore a propaganda device primarily, a statement of faith in centralized planning secondarily. It is a methodological necessity for those academic economists who have honed their methodological tools to such fine points that the tools are no longer useful for any operation other than splitting academic hairs.

The Exponential Curve

The ancient world possessed no vision of continual economic growth. With the single exception of the Hebrew cosmology, all ancient cosmologies were cyclical with regard to the question of development. Man once lived in an age of gold; he has experienced progressive deterioration since then, and only with some cataclysmic event – the coming of a divine monarch and the imposition of a period of ritual chaos – will man return to paradise, where the cycle will begin once again.[24] The Hebrew and Augustinian cosmology was linear: God created the world out of nothing, giving history meaning in terms of a sovereign plan, and will bring history to a close on the Day of Judgment. Nevertheless, Augustine and other medieval Christians saw no possibility of unlimited economic growth. Human "cities" were seen as being subject to flux, never achieving the permanence of the great City of God; only the spiritual kingdom can in any way be said to develop irreversibly.[25] An earthly pessimism prevailed.

The Renaissance and Enlightenment humanists gave up the idea of God's spiritual kingdom as a primary object of concern. Enlightenment thinkers in a sense "immanentized" the kingdom concept, bringing it down to earth. This was precisely what medieval thinkers had denied to man. Secular thinkers then gave up the idea of a final judgment. Nisbet

[23] North, "Crisis," *op. cit.*

[24] North, *Marx's Religion of Revolution*, pp. 87-91.

[25] Theodor Mommsen, "St. Augustine and the Christian Idea of Progress," *Journal of the History of Ideas* (1951), pp. 364, 372.

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comments on this double intellectual revolution:

> By the late seventeenth century, Western philosophers, noting that the earth's frame had still not been consumed by the Augustinian holocaust, took a kind of politician's courage in the fact, and declared bravely that the world was *never* going to end (Descartes, it seems, had proved this) and that mankind was going to become ever more knowledgeable and, who knows, progressively happy. Now, of a sudden, the year 2000 became the object of philosophical speculation.[26]

The vision of continuous, secular, linear human progress had arrived. The dream of continuous economic growth is the intellectual descendant of this original vision.

The logic of continuous economic growth is the logic of the exponential curve. To produce such a curve, one needs to graph the expansion of a particular base figure over time. A compounding process takes place – positive feedback – as the figure becomes progressively (the language of progress is here inescapable) larger. There are numerous examples of this kind of growth: the compound rate of interest, the rate of economic growth, the rate of the biological reproduction of any species unhampered by a lack of scarce resources (including space) and free of natural predators. We may begin with a very small number of dollars or alligators or human beings, and we may add to them at a tiny compounded rate; but if we continue the process, the figure will get larger and larger until it eventually appears to be infinite. Graphed, the line will remain relatively flat for much of the graph, but eventually it begins to point upward; finally, it curves upward rapidly and then shoots almost straight up, until it goes off the graph paper. The higher the rate of compound growth, the sooner the line will make its sharp curve upward.

There are so many of these curves in operation in our era that ours might reasonably be called the age of the exponential curves. Two rather interesting ones relate to science. The number of scientists in America has been increasing since 1900 at a rate of 6.6 per cent, which means the number of scientists doubles every 10.5 years. The number of scientific periodicals has been increasing at a 4.6 per cent clip since 1750, the number doubling every 15 years.[27] This has led to an output of scientific articles so vast that even the abstracts of them are becoming too

[26] Robert A. Nisbet, "The Year 2000 And All That," *Commentary* (June, 1968), p. 61.

[27] M. King Humbert, "Are We Retrogressing in Science?" *Geological Society of America Bulletin* (1963), pp. 365, 366.

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numerous to handle in any given discipline (yet the academic disciplines themselves are getting more and more specialized). We can only speculate on the apocalyptic academic vision offered (I believe) by former University of California President, Clark Kerr: "What will happen when the last inch of library shelf is filled with the latest journal?" (More properly, the latest microfilm, since library shelves are already overcrowded with books, and the books themselves are in the process of disintegration; the paper used for book production since 1880 now appears to be self-destructive, a nightmarish prospect for the world's librarians.[28])

Pollution and Population

Several exponential curves are receiving considerable attention in the popular press. The recent concern over pollution and population can be expressed in terms of such curves. A classic is the population curve since 1770 to a hypothetical 2070. Graphed in *Time* (Feb. 2, 1970), we are presented with the prospect of an earth filled with 25 billion people in a century. The graph is titled, "Population: the next 100 years," but its subtitle gives the game away: "(assuming current population-growth rates and no natural or man-made catastrophe)." (Indeed, we could advertise the wonderful prospects for economic returns from a chain letter with a similar graph.)

No biologist believes that the subtitle will be historically operative; the graph is used to "document" a coming population catastrophe. Generally, it is a propaganda device calling for planning, especially national or even international planning, to avert the catastrophe. Rushdoony has surveyed much of this propaganda in the popular press and he concludes that socialism makes such population-control proposals inevitable, since population is a factor of production, and the ideology of full socialist planning requires the aggregate planning of *all* factors of production.[29]

Newsweek (Jan. 26, 1970) provides us with another exponential curve, namely, Federal spending on pollution control since 1956. It has increased from virtually zero to a billion dollars (estimated 1970 expenditures). From $50 million in 1960 to a billion dollars in 1970: this is a 20-fold increase. Can we expect this rate to continue through 1980? How about until 1990? If so, in 1990, some $400 billion will be funneled into pollution control. If this takes place, hold on to your wallet; taxes will be going

[28] David G. Lowe, "The Case of the Vanishing Records," *American Heritage* (Aug., 1969).

[29] Rushdoony, *Over-Population*, ch. 3.

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up. I have no specific figures, but I would estimate that if the rate of increase in the number of articles published in American national periodicals since 1965 on the subjects of pollution and population growth continues, by 1990 nothing will be published that does not deal with one or the other subject. Hopefully, the reader is beginning to grasp the implications of the logic of the exponential curve. It cannot go on indefinitely.

A World of Scarcity

Economists who see economic growth as *the* national goal of economic policy are pursuing a demon. It necessitates demonic means to sustain such growth in the aggregate. Ours is a limited world with limited resources. Aggregate production figures cannot grow indefinitely. (You will notice how the language of material *progress* and material *finitude* eventually brings us to an impasse.) In order for exponential growth of aggregate output over long periods of time to occur, the universe would have to be infinite, which it is not. For example, if we were to keep the money supply constant in an economy with a constant increase in the output of goods and services, we either would see the velocity of money increasing wildly (i.e., the number of transactions involving money during a fixed period of time), or else prices would approach zero.

An economist knows that this is impossible; the very science of economics is based on the assumption that there is such a thing as a scarcity of economic resources. The very definition of scarcity – that at zero price, there will be an excess of demand over the supply of all goods – militates against such a vision of constantly expanding output. Nevertheless, present-day Keynesians and semi-Keynesians advocate a constant increase in the money supply in order to "stimulate" the aggregate economy into greater output. What is acknowledged to be an impossible goal *in theory* with the example of the fixed money supply (because of a finite world) is somehow presumed to be possible *in practice* if the money supply is expanded at a constant rate. In other words, the mere printing of money and/or the creation of credit translates a world of scarcity into a world of total abundance.

Mises is correct: we have here a philosophy of "stones into bread."[30] What Christ regarded as a demonic philosophy (Luke 4:3,4), the Keynesians have

[30] Ludwig von Mises, "Stones into Bread, the Keynesian Miracle," in Henry Hazlitt (ed.), *The Critics of Keynesian Economics* (Princeton: Van Nostrand, 1960).

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adopted as gospel truth. (Keynesians may resent my caricature of their position; if so, they will begin to understand my resentment against the use of this very caricature by proponents of Keynesian policies in the popular press: the public has swallowed an academic stone under the impression that it was steak.)

Any increase of the money supply at a rate above zero per cent (yes, even as "low" as 3 to 5 per cent) will eventually create a money supply which will defy calculation, producing what Mises has called the "crack-up boom." Men will abandon the use of the particular currency in favor of another currency or even in favor of barter, just as they did in Germany in the early 1920's. When I presented this argument recently, it evoked this response:

> Compound interest, which has been with us for centuries and forms the mainspring of all savings *is* an exponential curve. My first admonition as a child was "put your money in a bank and watch it grow."
>
> It is very true that this growth has been interrupted in the past by bank failures and the like, but this has not taken place to a great extent in the last 30 years. Surely every right-thinking person does not want things like that to occur again. Banks must maintain sufficient currency to protect their depositors, and to do so, there must be [a] continually increasing money supply to cover interest accumulations.

The thing which astounded me when I first read this letter was that a man whose instincts are clearly procapitalism argues in favor of inflation because he has been led to believe that the best way to defend capitalism is in terms of the logic of the exponential curve. Yet it is because the exponential curve *cannot* be sustained over time, since we live in a world of scarcity, that men should make their defense of the free market. If all goods were free, economics as a science would not exist. Men would not then need to economize. Instead of reexamining the philosophy of compound interest, the man I've quoted felt compelled to recommend the inflation of the exponential curve.

Usury Deplored

Medieval theologians, who were social and economic thinkers, followed the Old Testament's provisions against the taking of usury. They saw, in an admittedly obscure fashion, that a man must not demand an automatic payment of interest unless he shares in the risk of the failure of the particular enterprise. Using modern economic categories, we can say that

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profit, which stems from an accurate forecast of future demand and efficient planning in terms of that forecast, inevitably involves *risk*.[31] The fact that loss occurs with at least equal frequency with profit should indicate the impossibility of perpetual, guaranteed compound interest.

All firms cannot make equal profits all of the time; the very nature of profit forbids the possibility of a universal guarantee of returns in the aggregate. The man who expects such a universal compounding of interest payments would have to take seriously the inevitable subtitle: "assuming positive interest rates and no natural or man-made catastrophe." Population growth, *if* it continues, will create its own catastrophe; the same is true of any policy of inflation used in order to sustain the continuous payment of compound interest. In the short run, an *individual* can "put his money in a bank and watch it grow." In the long run, a whole population cannot. We must heed the words of the biologist, Garrett Hardin:

> Suppose, for example, that the thirty pieces of silver which Judas earned by betraying Jesus had been put out at 3 per cent interest. If we assume these pieces of silver were silver dollars, the savings account would today amount to a bit more than 9×10^{14} dollars, or more than $300,000 for every man, woman, and child on the face of the earth. Since the real economic wealth of the world is certainly much less than that amount, it would be quite impossible for Judas' heirs (all of us, I presume) to close out the account. The balance in the bankbook would be largely fictional.[32]

The figure would be fictional in the same way that the GNP figure is fictional: the account could no more be closed out at one time than the total GNP could be sold to a single buyer at one time. If a market for the aggregate figure cannot exist then the "price" of the aggregate goods in either case is fictional.[33] Hardin's conclusion is relevant to the theology of the exponential curve:

> A modern William Paley, contemplating bank failures, embezzlements, business collapses, runaway inflation, and revolutions, might well argue that these catastrophes are examples of "design in Nature," for by their presence the impossible consequences of perpetual positive feedback are avoided.

[31] Frank H. Knight, *Risk, Uncertainty and Profit* (New York: Harper Torchbook, [1921] 1964).

[32] Garrett Hardin, "The Cybernetics of Competition," in Helmut Schoeck and James W. Wiggins (eds.), *Central Planing and Neomercantilism* (Princeton: Van Nostrand, 1964), p. 65.

[33] Cf. Henry Hazlitt, *The Failure of the "New Economics"* (Princeton: Van Nostrand, 1960), pp. 410, 411, 418.

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Government Intervention

Does this mean that those who favor the free market must be in favor of "bank failures, embezzlements, business collapses, runaway inflation, and revolutions"? Absolutely not. The advocate of the free market favors the interaction of acting men in patterns of voluntary exchange precisely because he wishes to avoid such crises. But in order to be consistent with this goal, he is forced, by definition, to give up the philosophy of perpetual economic growth. No firm can continue to expand forever, no national economy can continue to expand forever: here is the essence of the free market position. *Private economic competition is to replace aggregate economic collapse.* The free market should never be defended, as one captain of American industry tried to defend it, in terms of the slogan, "No limit on tomorrow." In a world of scarce resources there is *always* a limit on tomorrow. We dare not write, as this man wrote in 1955:

> I am convinced that there will be no limit on tomorrow, and that our future will be more exciting, more thrilling than any of the periods of progress we have yet experienced. There will, of course, be peaks and valleys as the forces of supply and demand continue to exert themselves. But I am confident that the American people will never satisfy their desires for better living, and that our technology will never cease to accelerate and expand.

This philosophy is far closer to Hegelianism than it is to the modern defense of the free market. It should be left for Soviet theoreticians to play with; defenders of capitalism, given their presupposition of scarcity, dare not use it. Hardin is correct when he writes that "the myth of inevitable technological progress in a laissez faire world" is fallacious.[34] We must give up the myth of perpetual, irreversible technological progress if we are to preserve the theoretical validity of free market voluntarism.

The theology of the exponential curve has led to what Harlan Cleveland has called the "revolution of rising expectations." Men begin to believe the promises for an expanding utopia, and when the planners cannot deliver, they turn in fury on those who promised too much. They tear down that system which promoted the myth. If we are to avoid this, we must be careful to defend the free market in other terms. First, the market system provides men with a sphere of freedom and personal responsi-

[34] Garrett Hardin, "Not Peace, But Ecology," *Diversity and Stability in Ecological Systems* (Brookhaven Symposia in Biology, #22, 1969), p. 154.

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bility in which to exercise their talents, dreams, and faiths. Second, it provides the most efficient mechanism known to man for the production and distribution of wealth, *given the limitations* of scarcity. Third, by making men responsible as individuals for their actions, and by imposing penalties for failure on individuals rather than on whole economies, the market tends to smooth out crises, thereby enabling more peaceful transitions to newer economic conditions. The market promotes social peace.

Statist propagandists have committed us to the theology of the exponential curve. They are determined to see to it that the economy meets the demand of rising expectations. Political administrations like to take credit for "their" achievements economically; these advances *must* continue to grow. Therefore, we see the rush into intervention: natural competition is limited by barriers of knowledge and goods; the statist tries to alleviate this, not by expanding the available supply of resources, but by blaming the shortages on the very process of private competition.

In this attempt, the statist planner is aided by the individual entrepreneur who wishes to secure the benefits of an exponential curve for his company by eliminating the competition he receives from other firms, especially newer, more vigorous firms. He calls for statist controls to insure his firm's position within the market; statist intervention becomes a form of insurance against private failure. And, as I have warned elsewhere: "Remove the right to personal failure, and you dehumanize man-

1859-Issued Bond Now Worth $30 Million

KANSAS CITY (AP) — Cameron K. Reed says Kansas may owe him $30 million.

Reed, president of the United Funds, Inc., recently discovered a $500 bond issued by the territorial government of Kansas on May 14, 1859. Reed said he bought it from a friend for $25 about 20 years ago, then put it away and forgot it.

"At 10% — the interest it was supposed to draw — the value of the bond doubles about every seven years," Reed said. "That makes it worth about $30 million."

However, Reed doesn't think he'll try to collect from the state.

"I suppose I'll give it to the Kansas Historical Society," he said, "if it wants the thing."

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kind; a dehumanized mankind cannot hope, as a collective entity, to do anything but fail."[35]

The free market must not be proclaimed in the name of continual material progress. Progress may be seen as spiritual and moral, though not infinite, in contrast to the total pessimism of twentieth century philosophy. Progress must not be seen as material and technological, in contrast to twentieth century economic propaganda. We have mixed up our categories, at the peril of our civilization. *Short*-run material progress, both individual and collective, is possible; go beyond this and you deny the human condition. Man has his limitations. So does his environment.

Conclusion

Men have a tendency to get their religious presuppositions confused with economic analysis. For example, in my own case, I happen to believe that there will be a time of social peace and moral development on earth. This opinion stems from my interpretation of certain passages of the Bible. I have no illusions that I can derive such an opinion from economic analysis. Therefore, when I see others painting vast pictures of unlimited economic progress for the future, progress somehow self-generated and self-sustained, I become skeptical. That is theology, not economic analysis.

I am always tempted to offer the prophet Isaiah's ridicule of the idea that material progress, apart from moral progress, is in any way self-sustained: "Come ye, say they, I will fetch wine, and we will fill ourselves with drink; and tomorrow shall be as this day, and much more abundant" (Isa. 56:12). We must drop Rostow's definition of modern industrial society as one in which "compound interest becomes built... into its habits and institutional structure."[36] Mises points out with regard to the economic contribution of the Austrian economists:

> The greatness of the service these three Austrian economists have rendered by maintaining the cause of economics against the vain critique of Historicism cannot be overrated.

[35] Gary North, "Statist Bureaucracy in the Modern Economy," THE FREEMAN, (Jan., 1970), p. 27.

[36] Walt W. Rostow, *The Stages of Economic Growth* (Cambridge: The University Press, 1960), p. 7. For a critique on the Rostow thesis, see the symposium of the International Economic Association, Rostow (ed.), *The Economics of Take-off Into Sustained Growth* (New York: St. Martin's, 1963), especially the essay by Simon Kuznets. Rothbard's question undermines the proponents of statist policies to stimulate economic growth: "By what right do you maintain that people *should* grow faster than they voluntarily want to grow?" Murray N. Rothbard, *Man, Economy and State* (Princeton: Van Nostrand, 1962), II: 837.

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They did not infer from their epistemological convictions any optimism concerning mankind's future evolution. Whatever is to be said in favor of correct logical thinking does not prove that the coming generations of men will surpass their ancestors in intellectual effort and achievements. History shows that again and again periods of marvelous accomplishments were followed by periods of decay and retrogression. We do not know whether the next generation will beget people who are able to continue along the lines of the geniuses who made the last centuries so glorious. We do not know anything about biological conditions that enable man to make one step forward in the march of intellectual development. We cannot preclude the assumption that there may be limits to man's further intellectual ascent. And certainly we do not know whether in this ascent there is not a point beyond which the intellectual leaders can no longer succeed in convincing the masses and making them follow their lead.[37]

[37] Ludwig von Mises, *The Historical Setting of the Austrian School of Economics* (New Rochelle, New York: Arlington House, 1969), p. 38.

In short, do not try to get more out of pure economic analysis than economic analysis can possibly provide. Most of all, when you see presentations of the exponential curve, with extrapolations made into the next century, remember the words of Professor Nisbet with regard to the use of statistical devices in explaining or predicting human affairs:

> Here the Random Event, the Maniac, the Prophet, and the Genius have to be reckoned with. We have absolutely no way of escaping them. The future-predictors don't suggest that we can avoid or escape them — or ever be able to predict or forecast them. What the future-predictors, the change-analysts, and the trend-tenders say in effect is that with the aid of institute resources, computers, linear programming, etc. they will deal with the kinds of change that are *not* the consequence of the Random Event, the Genius, the Maniac, and the Prophet.

To which I only say: there really aren't any; not any worth looking at, anyhow.[38]

[38] Nisbet, *Commentary*, *op. cit.*, p. 66.

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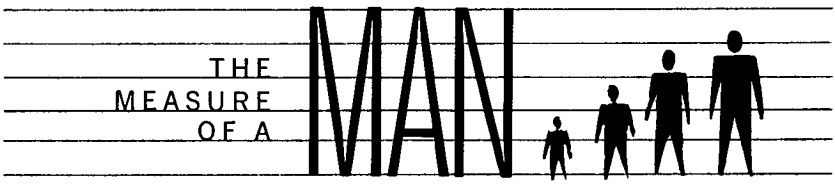

WILLIAM L. EDELEN

ONE of the most insulting cults that exists in our society today is the religion that has as its object of worship the common man. You hear people say, "Oh, he's just a common person; you will like him."

What a pathetic distinction to be known as a person who can't compete with the best, to be known as a common man who is to be classified with the most mediocre, the least informed, the least talented, the most common of society. The word *common* means: "crude; without distinction; second rate; inferior; cheap; trite; below normal; unrefined; inelegant." Can you imagine any greater insult than to be called a "commoner"?

What a paradox we are! We praise commonness, the common man. Yet, if you have need of highly skilled surgery, you want a very uncommon doctor, not one who is average, inferior, second-rate. If you have need for your life to be defended in court, you want a very brilliant, educated, alert, sharp, talented, very uncommon lawyer. You certainly don't want your life in the hands of a cheap, second-rate, inferior lawyer. In war time you certainly don't want to be in a company commanded by a common, second-rate, average, or inferior officer.

Too many have become common. Our community, our nation, and world are crying desperately for uncommon men and women who are excellent, talented, trained, competent, alert, distinguished. Ernest Hemingway called this "the millennium of the untalented." He said: "We are surrounded by actors who cannot act, authors who cannot write, teach-

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ers who cannot teach, singers who cannot sing, speakers who cannot speak, painters who cannot paint."

Charles Conrad, Apollo 12 Commander, had a recent comment on this subject:

> If teachers fail to get through to you, you've had it. . . . I had my mind *paralyzed* by dull teachers, my wits numbed by uninspired teaching. One glance at my report card under such teachers and you would have washed me out as a failure.
>
> But then my parents transferred me to a private school in upper New York; and there they grabbed me hard, those teachers. They demanded excellence from me. They let me know that we were not playing games, that we were seriously involved in a thing called education. They had an honor roll – a real honor roll – and rewarded honor roll standing with privileges that made staying on the honor roll a real honor and worth the effort. I graduated at the head of my class, and those two years there changed my entire life.

What we do too often is excuse commonness, mediocrity, regardless of where it is found, if the commonness is sincere. We have this ludicrous belief that if a person is sincere, it excuses everything. But few things are cheaper than sincerity, and few things can be more vicious. Let me illustrate: Hitler *sincerely* desired to get rid of the Jews. That didn't make him nice. Stalin *sincerely* endeavored to send off to the Siberian death camps any friend of liberty. That didn't make him admirable. Who is more dangerous than a *sincere* fanatic? Who is more exasperating than a *sincere* fool? Robespierre was most *sincere*, even to the point of crying. He wept at the sight of blood, while sending thousands to the guillotine in perfect sincerity. George Bernard Shaw tells us that the devil praises sincerity.

Mediocrity Replaces Excellence

Well, where does the common man *come from*? This worship of the common man permeates and saturates our schools and our culture and our homes. Seniority replaces creativity and talent. Mediocrity replaces excellence. Slothfulness is rewarded or overlooked. The common student and common person is rewarded, so much so some times that excellent students are punished, handicapped, and held back by common parents and by common teachers who resent having an excellent pupil or child.

Eric Hoffer put it this way:

> Those who lack talent expect things to happen without effort. They ascribe failure to a lack of inspiration or of ability, or to misfortune, rather than to insufficient application. At the core of every true and great talent there is an

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awareness of the difficulties inherent in any achievement and the confidence that by persistence and patience something worthwhile will be realized. Thus, talent is a species of vigor.

Why do we fear demanding excellence? In his latest book, *No Easy Victories*, John Gardner says it well:

> Keeping a free society free, vital, and strong is no job for the half-educated and the slovenly. The man who is excellent tones up society and the man who is slovenly, be he janitor or judge, lowers the tone of society. One does not achieve excellence by just "doin' what comes naturally." People don't stumble into excellence. All excellence involves application and tenacity of purpose. An excellent plumber is infinitely more admirable than an incompetent teacher or doctor or lawyer.

A recent publicity film of a large chemical company showed a group of workers in a laboratory, and the announcer said this in his commentary: "No geniuses here, just a bunch of average, common Americans working together." Here is the problem, may I suggest to you: too many want to be a bunch of "average Americans," just a bunch of "common" people. Far too many of us today aspire only to be just one of a "bunch of average Americans."

John Stuart Mill made the observation about England that can, no doubt, now be said for America: "England now appears only capable of doing things by groups, by combining; but it was individual men of another stamp than this that made England what it has been, and individual men of another stamp will be needed to prevent its decline." William James told America the same thing, at Stanford University in 1906: "The world is only beginning to see that the wealth of a nation consists more than in anything else in the number of superior men that it harbors."

Hiding in the Group

How we escape, too many of us, into the sanctuary of groups and hide there! As common men do, we say, "I'm with them. I'll vote with them. I belong to them; what they do is good enough for me, even if they are idiots. I'm with the city group. I'm with the businessmen." Even if they are wrong, we say: "I'm with the rural group, the farmers. I'm with the Legion, the ADA, AMA, NEA, or NAACP. Right or wrong, honest or false, I'm with them. Democrats, Republicans, Presbyterians, what they think is good enough for me because I still want to be told how to vote, and how to act, and how to think by someone else."

I can hide in the group, and

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never have to stand as a man who can think creatively on his own, with only his God as Lord of his conscience. Common men seek the security of the group, the escape of excessive group identification. The group, you see, can save one from the agony and pain and discipline of having to finally face up to knowing oneself and assuming responsibility for one's own thoughts.

The common man surveys the group and the polls to get his beliefs, to see what everyone else is doing, to see what he is supposed to be doing. What everybody else is supposed to be doing sets the precarious standard for the living of his days. As St. Paul put it: "They compare themselves by one another, and measure themselves by one another, without understanding."

Oftentimes we repeat meaningless clichés for so long that we believe them. I think one such is this: "moderation in all things." A friend suggested to me last week that "moderation" is the key to mediocrity. The uncommon people who are memorable, who use their time here on earth to the fullest, have usually been most immoderate, in love, in giving, even immoderate in anger as was Jesus, immoderate in their joy of life.

The Sadducees and Pharisees, within "accepted limits," loved and lived moderately. Jesus did neither; he immoderately loved those whom the church leaders hated, and he immoderately lived by shattering a great many of their rules and traditions. Socrates was not moderate. Buddha was not moderate. The greats of the world — in religion, science, literature, music, art, education — have not been moderate persons. But they have often forgotten themselves into immortality by vast immoderate creativity and contribution and living. The creative never stay within "accepted limits." That's why they are creative. The definition of "moderate" is "accepted limits."

A man looks back and too often sees a lot more moderate, mediocre *quantity* than *quality* in his life. Somewhere along the line he has sold himself for a measly, trifling thirty pieces of silver — even like Judas — into commonness and mediocrity. The life of Judas is proof of one thing! Men and nations and groups who have sold themselves cheap, proceed to be their own hangmen.

The Modern Levelers

The problem of how to dispose of time so that it will yield a sense of fullfilment instead of a sense of emptiness is as old as time itself. We say, too often, "Just give me a little more time" to get my life,

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my goals, my ambitions, my aims squared away. But time runs out. We quit growing, we quit striving, we quit climbing, we quit thinking, we quit our ideals, and wonder why life has lost meaning. Too many of our lives are stuck in common grooves.

What groove are we stuck in? We have the same brains as our neighbor, the same thoughts, the same car, the same clothes, the same type house, the same type furniture, the same personality. We are all interchangeable and yet, we talk about being individuals, we talk about being original, we talk about being creative, we talk about being unique, uncommon individuals.

Federal Judge Learned Hand prophetically observed forty-five years ago:

> The mass of us take our virtues and our tastes, like our shirts and our furniture, from the limited patterns which the market offers.
>
> At the disposal of those who seek mass production of ideas, tastes, morals, and habits are the press, the tabloid, the weekly, the radio, the moving picture: these are the great engines of our modern levelers. Along with them are sales catalogues, advertisements, posters, fiction, timid, fearful preachers and teachers.
>
> Since our ancestors fully straightened their knees and rose upon their hind legs to become Homo sapiens, there has never been one-tenth as many people in the world who felt alike, ate alike, slept alike, hated alike, loved alike, wore the same clothes, used the same furniture in the same houses, approved the same sentiments, believed in the same God, and were all confidently assured that nothing was lacking to their complete realization of the human ideal.
>
> Over that chorus the small voice of the individual sounds not even the thinnest obbligato, and it almost seems preposterous for him to sing at all.

The most destructive thing we can do is to compare ourselves with our neighbors and measure ourselves in relation to them. What is your standard of measurement? What neighbor, what group, what poll, what person, what book, what ideal, what philosophy, what understanding of God, what truth, what love?

Great Man Like Lightning

Carlyle used the best words: "The great man is like lightning; and the rest of men waited for him, like fuel, so that they, too, would flame." Have you known such a person who fed you like fuel so that you, too, could flame? If so, you are very fortunate; stay close by that person. Do you want to be around those too much who bring you down to the mediocre, or around those who stimulate you mentally, emotionally, spiritually,

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and raise and inspire you to become more truly the person you would like to be? Let some *un*common one, like lightning, touch off the spark in you — and start believing in you — and watch what happens!

The uncommon man is continually seeking wisdom, making an attempt to *grow* in his ability to make wise, independent decisions, based upon accurate facts, clear reasoning and understanding, justice and rightness. The uncommon man, or woman, is excellent, superior, distinguished, first-rate, valuable, elegant, intelligent, refined. The world is crying for uncommon men and uncommon women.

We can't be *all* of these things, you and I, but we can start *thinking* on these things. For if we, individually, have no goals or ideals or thoughts that have to do with human excellence and human distinction, then, we are, of all people, the most to be pitied and the most pathetic.

IDEAS ON LIBERTY

What Is My Life?

HUMAN LIVES begin as diamonds do,
Dull and rough, like common pebbles.
Some are large, blue-white, and perfect underneath;
Most are small, off-color, flawed —
But all are precious, latent with a dazzling beauty.
What is my life?
It's taking my rough pebble, large or small,
And working at it year by year,
Cleaving off this flaw, and that.
Polishing facets one by one,
Until, naked before the world,
My true self stands revealed, calm and proud,—
And adds its small, but radiant brilliance,
To the smoldering fire of man's emergence
From his savage past.

RICHARD L. ROPIEQUET, *President*
Alta Industries, Inc., Portland, Oregon

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RELIGION and CAPITALISM: ALLIES, NOT ENEMIES

EDMUND OPITZ has come up with the most tantalizing title of the decade, if not the century: *Religion and Capitalism: Allies, Not Enemies* (Arlington House, $7.00). I don't know what I expected when I opened the book, but I was set for much more about capitalism than is to be found in Mr. Opitz's absorbing pages. Curiously, the subject of economics takes a back seat here while Mr. Opitz endeavors, with a lucidity that recalls Lecomte du Noüy's *Human Destiny*, to show that man is rooted not only in a natural order and a social order but also in a transcendent order which has endowed him with certain inalienable rights that are antecedent to government. Capitalism is what results when men, acting on their rights as individuals, freely deploy their workaday energies in time and space. It is an afterthought, really, in the context of Mr. Opitz's larger theme, which is nothing less than the destiny of man.

Since I am not a theologian, I have to wrestle for my own lucidity when dealing with a du Noüy or an Opitz. I believe in the doctrine of natural rights, for I feel that I know that murder, theft, double-dealing, lying, covetousness, and private coercion are in the nature of things wrong for human beings in their relations with each other. It is as natural as blood pressure to think that my body and my substance are my own, to do with as I please if I do not invade the rights of others. And it follows that government has no more business to rob me for the benefit of others than private individuals. But no Transcendent Being has ever spoken to me out of a burning bush, so I have never been able to cite an explicit divine sanction for my credo. I have had to assume that something "out there" corresponds with my subjective thoughts – and "oughts."

Though he says that the "reinstatement" of the human mind "as an independent reality" does not by itself "verify religion," Mr.

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Opitz obviously thinks that any mind that can "produce order" (to use Plato's phrase) and "know the world of extended matter . . . and transform it . . . in the light of a still more attractive and commanding good" (see Professor E. A. Burtt) has a quality that relates to divinity. The mind is not merely a part of the social order nor even of the natural order, for thoughts do not have tangible properties. They transcend the world of physics and chemistry. A scientific hypothesis must come before a scientific experiment, and a mind can make qualitative judgments, which is something that transcends science itself.

Mr. Opitz deduces from the fact of mind that humanity is involved in a radically different order that lies beyond the social and natural worlds. It is the mind within us (Mr. Opitz is chary about talking of "soul," or even the French "esprit") that enables us to make contact with the order-giving Intelligence that is "out there." This gives rise to the religious view of things that connects rights with God's commandments, as quintessential in the Decalogue.

The History of Human Rights

If this gets a little tenuous for one who has been brought up in a secular world, one can take a second breath and follow Mr. Opitz through history. Mr. Opitz compares the world's great cultures. Where rulers have been considered the agents of God and the custodians of permissions and privileges (sometimes miscalled rights), the results have been bloody tyrannies. But where rights have been considered as something antecedent to government, liberal orders have been created, scientific discoveries have flourished, and production has risen as free individuals have competed to suggest the best economic disposition of scarce means.

The Stoics talked about natural law, but it was Christianity, with its distinction between what was God's and what was Caesar's, that gave the real impetus to Western man's quest for a political order that would respect the rights that are antecedent to government. If natural – or God-given – rights exist, there are some things which are beyond the competence of the state to tamper with or alter by legislation. It does not matter whether the state is run by a monarch, an oligarchy, or by the "sovereign people." It is just as wrong for a majority of 51 per cent of the voters to kill or despoil individuals as it is for a dictator to do it.

When Christendom was synonymous with the culture of the West, it was easy to argue that God was

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the author of the individual's inalienable rights. This sufficed to topple kings. The American colonists, church-goers, and Bible-readers for the most part, could follow the Founding Fathers when they wrote the theory of natural rights dependent on "nature's god" into the Constitution, with its appended Bill of Rights.

"Consent of the Governed" Leads to the Welfare State

But with the continuing secularization of the world in the late eighteenth and nineteenth centuries the religious sanction has lost its compelling character. We now talk more about the "consent of the governed" than we do about "inalienable rights." Locke, a split character who had traced the origins of rights to a mythical prehistoric "social compact" but who had also said that nobody was justified in interfering with a person's property or hope of Heaven, helped topple King James II, but what Britain got in the place of a divine-right monarch was a "tyranny of the majority" in parliament.

So today the "immemorial rights of Englishmen" have been sadly undermined by the "consent of the governed" to whatever parliament has cared to decree by sometimes narrow voting margins. The Englishman's home is no longer his castle, the first call on his income belongs to the Welfare State, and he has the devil of a time getting foreign exchange for travel. No "inalienable rights" in a secularized London.

And, as Mr. Opitz makes plain, we in the United States are going the same route. In the economic world the destruction of the doctrine of rights has resulted in a pervasive trend toward statism. Capitalism could flourish in a Christian order in which men were free to make their own decisions – and their own mistakes. But it cannot flourish in an order which regards rights as subject to infringement by "the people," who can become pretty covetous when the Decalogue "shalt not" about covetousness is no longer considered a moral law that corresponds with a command from "out there." When rights are subject to the will of 51 per cent, a majority will rob a minority blind.

The Voluntary Way

Mr. Opitz's work is studded with brilliant perceptions that would grace a book of aphorisms. The opposite of majority rule, he says, is not minority rule, it is individual liberty. The members of our self-chosen intellectual elite, he notices, regard the common man as the embodiment of superior political wisdom, yet (see Ken-

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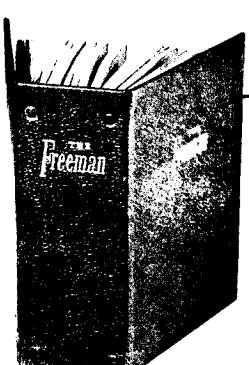
neth Galbraith) consider this same common man as "incompetent to select his own toothpaste." As for free choice in economic as in other matters, Mr. Opitz observes that "the God who gave us inwardly such complete freedom that we could either accept or reject Him" would hardly fail to will "that the relationships between men should be voluntary." The Fall in the Garden of Eden — or "original sin" — made government necessary, but, says Mr. Opitz, it does not follow from this that "governmental action" is the proper remedy for sin. The business of government is to repress criminals and to prevent destructive actions, leaving men free to act constructively and creatively for themselves.

Mr. Opitz says relatively little about capitalism as religion's "ally," for his prime concern is with the ends of human life, not its means. (He does, in passing, expose the illogical nature of Christian Socialism.) Economics, of course, is a science of means. Capitalism is the science of means as exemplified in its free operation. The "means" can't operate as an "ally" if the ends of freedom are destroyed. Mr. Opitz is all for a libertarian economics, and for the capitalist order, but economics, as he puts it, "is only a part of life." It is not enough to defend capitalism as such if you want to save it; it will save itself if the idea of inherent rights is revalidated, which Mr. Opitz has taken it as his task to do.



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RELIGION and CAPITALISM: ALLIES, NOT ENEMIES

by

Edmund A. Opitz

An Arlington House publication

320 pages

$7.00

• In spite of the frequent pronouncements of such organizations as the World Council of Churches and the National Council of Churches, Christian socialism is not a tautology. On the contrary, both Christianity and Judaism thrive best in a free economy, maintains Mr. Opitz. For governments that enslave man economically inevitably end up shackling him religiously.

But, "the answer to Christian socialism is not to wave the flag for Christian capitalism," says the author. "In general, opponents of the Christian socialist movement have not been guilty of identifying their religious faith with a particular formula for organizing economic and political life. There has never been an organized Christian capitalist movement, and no slogan has ever appeared saying that Christianity is the religion of which capitalism is the practice." Yet, many leftists have chanted that Christianity is the religion of which socialism is the practice.

Nevertheless, Mr. Opitz points out, to accept the main features of Christianity implies a free society and limited government, with economic affairs organized in terms of the market. Biblical religion inculcates a concern for justice between men while stressing individual freedom of choice and personal commitment. The free economy represents the tactic of liberty applied to the workaday world.

In the fight against international and domestic collectivism, Edmund Opitz shows why religion and capitalism belong on the same side of the barricade.

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